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Tower Panel Believes Reagan Knew About Iran Arms Sales

By Gerald M. Boyd
New York Times Service

WASHINGTON — The Tower Commission has concluded that President Ronald Reagan, far from being remote from the administration's Iran arms dealings, was briefed on them regularly as they took place, according to officials familiar with the commission's report.

The officials said the report, which is scheduled to be made public on Thursday, would show that Mr. Reagan frequently discussed the Israel initiative at morning meetings with Vice Admiral John M. Poindexter, then his national security adviser.

But the report also says the president's participation in those discussions was minimal. Often he simply asked questions about the American hostages being held in Lebanon and told anecdotes, according to an official who has seen the report.

The report by the special presidential commission is also said to describe what one official described as a "pattern of free-lancing" by Lieutenant Colonel Oliver L. North, the National Security Council.

Delay is sought in confirmation of a CIA chief until after the Iran inquiry. Page 3.

Council aide who was dismissed in November following the first disclosures that the United States had sold arms to Iran and that some of the proceeds had been diverted to the Nicaraguan rebels.

Officials added that the report says that Colonel North carried out policies on arms sales to Iran and the supply of aid to the contras, as the rebels are known, that went far beyond what the White House intended.

In addition, the commission has information that supports assertions by a Senate committee that Mr. Reagan discussed with senior aides the need to formulate a policy on Iran that would give him "deniability."

The Tower Commission, named for its chairman, John G. Tower, the former Republican senator from Texas, was appointed by Mr. Reagan to investigate the operations of the National Security Council in the Iran-contra affair.

The president acknowledged on Tuesday that he could not remember whether he gave advance approval of the first shipment of arms to Iran in September of 1985.

Appearing before a group of business executives, Mr. Reagan said in response to a question, "I think it's possible to forget."

"I'd like to ask one question of everybody," he said. "Everybody who can remember what they were doing on Aug. 8, 1983, raise your hand." See INQUIRY, Page 5



General Fidel V. Ramos, chief of the Philippines military staff, left, and Agapito Aquino, brother-in-law of President Corazon C. Aquino, raise their hands as a symbol of reconciliation between the military and civilians. They were at ceremonies Wednesday to mark the first anniversary of the removal of Ferdinand E. Marcos. Page 5.

LATE NEWS

Vatican Banker Wanted by Italy

The Associated Press

MILAN — The Italian authorities have issued an arrest warrant against Archbishop Paul Marcinkus, 65, who heads the Vatican bank, in connection with the collapse of the Milan-based Banco Ambrosiano, court sources said Wednesday.

The sources said that the warrant charges Archbishop Marcinkus, of Cicero, Illinois, as "an accessory to fraudulent bankruptcy" in Italy's biggest bank failure. The bank collapsed in 1982 with bad debts of more than \$1.2 billion. A large part of that money had been loaned to financial houses in Panama in which the Vatican, through its bank, the Institute for Religious Works, had an interest.

Archbishop Marcinkus has denied any wrongdoing. He lives in Vatican City, and the sources said the warrant could only be served if he stepped onto Italian territory.

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U.S. Talks To Allies On Treaty

Nitze and Perle Discuss U.S. View On ABM Accord

By James M. Markham
New York Times Service

BONN — Two senior U.S. officials began consultations with West European allies Wednesday to explain the Reagan administration's preference for the so-called "broad" interpretation of the anti-ballistic missile treaty that would permit expanded testing of space weapons.

The envoys, Paul H. Nitze, a special adviser to President Ronald Reagan, and Richard N. Perle, an assistant secretary of defense, met in London with Prime Minister Margaret Thatcher and Sir Geoffrey Howe, the foreign secretary, and later went to Bonn for talks with Chancellor Helmut Kohl. The chancellor indirectly expressed concern about Washington's course.

Although the West Europe trip is being described as a "consultation" with the allies, there was considerable evidence that it is an element in a process that is leading the Reagan administration to move formally to the broad interpretation of the 1972 accord with the Soviet Union.

According to a U.S. official, Mr. Nitze went through three drafts of his "talking points" with the allies in order to blunt the impact of his message. One of Mr. Nitze's points was reported to be that there has been such progress in research into anti-missile systems that could be included in the Strategic Defense Initiative that wider interpretation of the treaty had become imperative.

The choice of Mr. Nitze appeared designed to reassure the allies, who tend to regard him as a moderate within the U.S. administration. But various European officials said that the dispatch of Mr. Perle — who is on record as saying the broad interpretation will be adopted before Mr. Reagan leaves office in 1989 — suggested that Washington was moving toward effectively scrapping the treaty.

The shift to the new interpretation was viewed with apprehension in Bonn, where Mr. Kohl has expressed hope at the prospects for an arms control agreement.

In an interview published Wednesday, Mr. Kohl said that a drive by Mikhail S. Gorbachev, the Soviet leader, for reforms could lead to a "watershed" arms control agreement.

Mr. Kohl said that a breakthrough depended on the Soviet Union abandoning its "all-or-nothing approach" and the United States remaining flexible on the question of its application of the ABM treaty and avoiding actions that would "create a fait accompli."

Before the two Americans met with the chancellor, Mr. Kohl's spokesman, Friedhelm Ost, confirmed that the interview reflected the government's view. After the meeting, Mr. Kohl's office issued a statement saying that the envoys had described a "restructuring" of the anti-missile research program.

Suggesting doubt about the wisdom of handling such a complex matter.

Judge G.S. Patel had made several sensitive rulings in the case without disclosing that he had earlier listed himself among the victims of the worst industrial accident in history.

The Indian government, representing 900,000 plaintiffs, is suing Union Carbide Corp. for \$3 billion in damages over the leak of gas from a pesticide plant on Dec. 3, 1984. A new judge, M.W. Dev, took over the case Tuesday in Bhopal.

The removal of Judge Patel has introduced new uncertainty and confusion into the case and raised the possibility of further delays in resolving the issues.

Sources close to the case said that Union Carbide, which is based in Danbury, Connecticut, was considering whether to seek to invalidate all of Judge Patel's orders and actions of the last several months.

Union Carbide was understood to be reluctant to take such a step because of possible adverse publicity, despite what its Indian lawyers say would be firm legal ground based on prohibitions against judicial conflict of interest.

Judge Patel had been hearing the Bhopal lawsuit since last fall and made several rulings objected to by Indian Carbide.

The irony of the situation, however, is that Union Carbide had argued that the case be tried in India rather than the United States. India had initially sought an American forum, saying that Indian courts were antiquated and incapable of handing such a complex matter.

It was not clear why Judge Patel's involvement in the case had not come to light until now, or how it became disclosed. His transfer was initially reported in the Indian press as resulting from the jealousy of other judges.

Judge G.S. Patel had made several sensitive rulings in the case without disclosing that he had earlier listed himself among the victims of the worst industrial accident in history.

In the past few days there were reports that a conflict of interest was involved, details of which were confirmed Wednesday by Indian officials and other lawyers. An Indian official said the government was dismayed and taken aback by Patel's action.

"It is incredible that this could have happened," said a lawyer involved in the case. "If he was a claimant, it was his duty to disclose it."



Shiite women in Beirut mourned the deaths of Hezbollah militants by Syrian troops. *Associated Press/Reuters*

Hezbollah Sector Is Sealed Off

10,000 Mourners In South Beirut Protest Deaths

Reuters

BEIRUT — Syrian troops sealed off a stronghold of the pro-Iranian Hezbollah organization in West Beirut on Wednesday after 23 Shiite Moslem militants were killed in the Syrian security drive Tuesday night, witnesses said.

A car bomb later injured at least 12 persons in the Shiite Moslem part of southern Beirut on Wednesday. It exploded shortly after a large funeral procession in which the deaths of the Hezbollah, or Party of God, fighters, were protested.

Ambulances and fire engines rushed to the scene and the police said the casualty toll was incomplete.

In the funeral procession, more than 10,000 people marched through the city's southern suburbs, where Syrian troops who moved into West Beirut on Sunday have not yet deployed.

The mourners carried the bodies of Hezbollah members, wrapped in white sheets on stretchers. They beat their chests and shouted, "Slowly, slowly, you Zionists — Hezbollah is on its way."

Residents said that Hezbollah fighters were placed on maximum alert following the violence late Tuesday night.

Militia sources said the gunfire Tuesday night raised the prospect of Syria sending troops into the southern suburbs, where foreign hostages are reported to be held.

Numerous reports have speculated that Hezbollah militants are the possible captors of some of the 26 foreigners missing and believed kidnapped in Lebanon. The organization has strongly denied any role in the abduction of foreigners.

Hezbollah's leaders, organization and precise fighting strength are all well-kept secrets in a city where most political and military matters are still open to discussion, despite almost 12 years of civil war.

Some of the hostages are said to be held in Beirut's southern districts, while there have been conflicting reports over the timing and possibility of Syrian intervention in the maze of closely packed houses and alleys.

If and when the Syrians go into the suburbs, one militia source said, "then there is a strong possibility that some of the hostages held there will be released."

Political sources have said that Terry Waite, the envoy of the Church of England who was reportedly kidnapped on Jan. 20, is also held south of Beirut.

Hostages Said to Be Moved

A Kuwaiti newspaper reported on Wednesday that Shiite extremists holding foreign hostages in Lebanon have moved some captives to the Iranian Embassy in Beirut and others to southern Lebanon. The Associated Press reported from Kuwait.

In a dispatch from Paris, the daily Al-Qabas newspaper said that Mr. Waite was being held hostage and was among the captives who had been moved to elude Syrian forces.

One analyst pointed to the abrupt manner in which Mr. Hu was removed as evidence of both Mr. Deng's weakened position and

See DENG, Page 5

China Experts Say Deng Is Weakened by Turmoil

By Edward A. Gargan

New York Times Service

HONG KONG — Some China watchers based in Hong Kong have concluded that Deng Xiaoping, China's senior leader, has been severely weakened in the recent political turmoil in Beijing and may no longer exercise real power.

Mr. Deng, who twice rose from political oblivion in the 1970s, has been the principal force behind the economic restructuring that China has undergone since 1979.

The sweeping changes were introduced to free the country's lethargic economy from strong central control, using innovative management in some areas, a reliance on market forces for some production and private control of most farm production.

In contrast with the opinion of the China watchers, diplomatic analysts in Beijing and Washington say they generally believe that Mr. Deng remains firmly in charge despite the political and ideological upheaval.

The analysts interviewed in Hong Kong, some of whom began watching China when it was closed to Western journalists, navigate partly by a careful scrutiny of the Chinese press, examining nuances and reading between the lines as the mainland Chinese do. They are not diplomats and sometimes take sides with diplomats posted in Beijing, but they have proven astute on past factional struggles inside China.

The Chinese and Western analysts interviewed said Mr. Deng and the innovators he brought to power in the last decade had been isolated and forced from the center of power.

"I think he is now a lame duck," said a Hong Kong Chinese who has followed the situation on the mainland for several decades. "Deng rested on his legs. Hu Yaobang and Zhao Ziyang, one of those legs, has been cut from under him."

On Jan. 16, Mr. Hu was stripped of his title as general secretary of the Communist Party after a month of student demonstrations calling for democracy. Mr. Zhao, who was prime minister, was named acting general secretary of the Chinese party, which has 44 million members.

Another analyst who has studied China since the Communists took over in 1949 took an equally negative view of Mr. Deng's situation.

"Some observers still imagine that he is in the saddle, as the most devastating articles written against

'bourgeois liberalism' cite his words," the analyst said. "They really make fun of him, quoting his words pronounced at moments when he temporarily adopted words of his enemies."

Since the student protests ended early this year, the Chinese press has rallied against what it calls "bourgeois liberalization." The phrase is meant to encompass all views that advocate the introduction of Western ideas and values into China.

Officials involved in the case said that because the list of plaintiffs is so huge, taking up dozens of volumes of computerized sheets, and because Patel is a common Indian name, the judge's inclusion in the list was not discovered until recently.

Even the Sky Was Barred

Begun Talks of 'Terrible' Solitude, Cold and Meager Diet in Soviet Jail

By Celestine Bohlen

Washington Post Service

MOSCOW — Once a day, after a breakfast of porridge and water, Josef Z. Begun and other political prisoners at Chistopol prison would be let out of their cells and given either an hour or 30 minutes of exercise in a prison yard.

Mr. Begun, a Jewish activist freed on Friday, has a keen memory of the dimensions of that yard. "Seven steps long, and four, maybe three steps across," he said Tuesday in an interview.

The yard was paved with cement and a metal grill was overhead. The walls were covered with lumpy cement so no one could write anything on them, he said. Prisoners could exercise only with their cellmates, or alone.

In the early mornings, the sun never shone through the grill, and yet, Mr. Begun said, "the sun could always reach you."

"It was like a well, like walking at the bottom of a well," he said. "The grill above makes a special impression on people who have spent time in Chistopol: They call it 'looking at the sky through metal netting.'

Mr. Begun said that during the 22 months he spent in Chistopol the number of political prisoners varied from 18 to 32. When he left, at the end of the current round of releases directed by the Soviet government, five prisoners remained, he said, all convicted of espionage.

Mr. Begun turned to teaching Hebrew after he lost his job as a mathematician when he applied to emigrate to Israel in 1971. Convicted in 1983 of anti-Soviet agitation,

See BEGUN, Page 5

Astronomers Say They've Found Closest Supernova Since 1604

By Malcolm W. Brown
New York Times Service

NEW YORK — Astronomers report that the explosion of a star has apparently occurred much closer to Earth than any since the one observed by the astronomer Kepler in 1604.

The discovery of the supernova was made Tuesday.

Because such nearby supernovas are so rare, and because it is being observed so early, the event is likely to have a dramatic impact on understanding how such explosions come about and how they have influenced the chemical composition of the universe.

The blast occurred 50,000 years ago, but the light it generated is only now reaching Earth.

Astronomers discover about one

supernova a year in some part of the universe, but because they are so far away, no supernova has ever been observed by modern instruments during its earliest phases.

All supernovas are believed to be the violent deaths of very big stars that have used up most of their nuclear fuel and are forced by their gravity to collapse on themselves.

The collapse releases so much energy that a final cycle of nuclear fusion occurs, and the resulting explosion briefly produces more light than does an entire galaxy of hundreds of millions of stars.

Among the many reasons astronomers are interested in supernovas is that they are thought to create most of the heavy elements in nature, including the carbon from which all living things are made.

He said that if the object lived up to expectations, it was likely to become the brightest star in southern skies for the next 10 days, beginning Wednesday. It would be as bright as the planet Jupiter, he said.

The object will not be visible in most of the Northern Hemisphere, although people living as far north as Brownsville, Texas, might at some point get a glimpse of it low on the horizon. But for observations in Chile, Australia and South Africa, it will be within easy view.

Dr. Robert E. Williams, director of Cerro Tololo Interamerican Observatory in Chile, said Tuesday that astronomers throughout the Southern Hemisphere were preparing their telescopes for intense scrutiny of the phenomenon.

He said the discovery was made shortly before dawn Tuesday by observers at the University of Toronto observatory at Las Campanas, Chile.

Their observer was exposing some routine astronomical photographs that had been made with a rather small telescope "when he noticed the image of a new star where previous photographs had shown none," Dr. Williams said, adding:

"By that time the sun was beginning to rise, and further observations were impossible. But this is an event every astronomer in the world had been hoping would occur in his or her lifetime, and you may be sure we'll make the most of the opportunity."

The apparent supernova was observed in the Greater Magellanic Cloud, one of a cluster of small galaxies that are so close to the Milky Way galaxy as to be considered satellite galaxies. The supernova is 50,000 light years from

Earth, a short distance away in astronomical terms.

The nearest full-size galaxy to ours is the spiral known to astronomers as M-31, the Great Nebula in Andromeda, which is more than two million light years away. Most other galaxies are many hundreds of millions of light years distant, and when supernovas are spotted at such great distances they are comparatively dim and difficult to study.

The brightest part of a supernova flares up in a matter of days and fades rapidly after several weeks. The 1604 explosion left a residue visible through telescopes today as a faint nebula of glowing gas.

Three supernovas have been recorded in the Milky Way galaxy — in 1054, 1572 and 1604.

WORLD BRIEFS

U.K. Urged to Act on 6 Nazi Suspects

LONDON (UPI) — Members of Parliament urged the government Wednesday to act against at least six suspected Nazi criminals who took sanctuary in Britain after World War II.

Home Secretary Douglas Hurd disclosed that an investigation prompted by the Simon Wiesenthal Institute of Los Angeles found that at least six suspected Nazis live in Britain.

They were among 17 names provided by the institute in October as being guilty of crimes in 1940 against Jews in Nazi-occupied Lithuania and Latvia in what is now Soviet territory. Mr. Hurd said the investigation was continuing but that the crimes were committed before the suspects came to Britain.

Abdallah Called 'Small' Terror Chief

PARIS (AP) — A senior French counterintelligence official said Wednesday that he doubted Georges Ibrahim Abdallah is the head of the terrorist group blamed for killing American and Israeli diplomats in Paris.

Mr. Abdallah, on trial on charges of complicity in murder and attempted murder, often has been described by the police and terrorism experts as the head of the Lebanese Armed Revolutionary Forces, or FARL, which claimed responsibility for the attack.

But Raymond Nart, deputy director of the counterintelligence agency DST testified that he considered Mr. Abdallah at best a "small chief" not the group's overall head. "As to the real head of FARL, I have several ideas," Mr. Nart said. He added that he thought Mr. Abdallah was "the head of a commando team; he's a little chief."

U.S. High Court Backs Rights Plan

WASHINGTON (AP) — The U.S. Supreme Court upheld on Wednesday a plan for promoting equal numbers of blacks and whites on the Alabama State Police force.

By a vote of 5-4, the court ruled that the affirmative action plan did not violate the U.S. Constitution. The plan forces the state police to promote one black trooper for every white promoted until blacks comprise 25 percent of upper-rank officers.

The ruling is a defeat for the Reagan administration, which argued that the quota was "profoundly illegal." The administration argued that the plan was arbitrary and a form of reverse discrimination that violates the equal protection guarantee contained in the constitution.

Zambia Releases 4 South Africans

JOHANNESBURG (Reuters) — Four South Africans who were held for nine months in Zambian jails on charges of spying returned home Wednesday. Their lawyer denied Zambia's allegations that the four had been spying for Pretoria.

President Kenneth Kaunda of Zambia said earlier that he was releasing the four on humanitarian grounds, although he said they had admitted working for South African intelligence at the time of their arrest in May. They were held a week after South African planes raided alleged anti-apartheid guerrilla targets in Lusaka, the Zambian capital.

Mr. Kaunda said at a press conference that the men — Randolph Keyser, Rudolf Ottman, Bernhard Koch and Duncan Vause — had planned their trip to Zambia as genuine tourists but were later persuaded by South African agents to carry out acts of destabilization. The four were met on their arrival by Foreign Minister R.F. Botha.

Gene Defect Linked to Mental Illness

NEW YORK (AP) — A study of manic-depressive disease in three generations of a family has shown for the first time that defective genes can cause psychiatric disorders, and scientists say the finding could help them understand a wide range of mental illness.

"It's an extremely important opening into molecular genetics and molecular biology for the major mental disorders," said Dr. Duane Roeger of the National Institute of Mental Health.

The work should promote studies that lead to better understanding of such illnesses as schizophrenia and anxiety disorders, he said. Previous studies had suggested that genetics could contribute to psychiatric disorders. But the new finding is the first demonstration of a genetic defect in a mental disease, the manic-depressive schizophrenia in the brain, he said.

As Mr. Rosenberg, the second Holocaust survivor to testify in the trial, left the witness box to look closely at the accused at the prosecution's request, Mr. Demjanjuk removed his glasses and held out his hand in apparent greeting.

Mr. Rosenberg drew back and shouted, "You bastard!"

Mr. Rosenberg, a retired auto worker who escaped from the camp during a revolt by prisoners in August 1943, said that others who fled had told him that prisoners had exaggerated when they said that they had killed many of their guards.

"In the woods, I met people I didn't know from the camp," he testified. He said they had told him "that during the uprising people burst into the barracks of the Germans and Ukrainians and delivered murderous blows."

Mr. Rosenberg's testimony is important in the case against Mr. Demjanjuk, who says he is the victim of mistaken identity. Mr. Rosenberg testified in 1947 that Ivan may have been killed.

However, he said, Wednesday that he learned that his 1947 deposition in Vienna, given to the Nazi-hunter Tuvia Freedmann, was untrue when he attended a war crimes trial in Dusseldorf in 1964.

"Then I saw those guards face to face," Mr. Rosenberg said. He said he knew then that the story about killing guards was false.

"It was boasting," he said.

Austrian Powdered Milk Barred From Emirates

ABU DHABI — The United Arab Emirates has banned two brands of Austrian powdered milk, saying they contained excessive radiation.

The Emirates began routine testing of imported food for radiation after the Chernobyl nuclear disaster in the Soviet Union last year.

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Deaver Indictment Barred on Issue of Special Prosecutor

United Press International

WASHINGTON — A federal judge temporarily barred on Wednesday the indictment of Michael K. Deaver, the former White House deputy chief of staff, ruling that Mr. Deaver had raised "substantial questions" about the constitutionality of the 1978 law on special prosecutors.

The ruling by Judge Thomas Jackson of U.S. District Court not only throws into limbo a nine-month investigation of Mr. Deaver's private lobbying practice, but also undoubtedly will pose ramifications for the investigation of the Iran-contra affair.

The ruling followed reports that Mr. Deaver, a close friend of President Ronald Reagan, has been warned that he must plead guilty to criminal charges or face indictment by a federal grand jury.

People with knowledge of the investigation told The New York Times on Tuesday that the independent counsel, or special prosecutor, in the case, Whitney North Seymour Jr., had asked that Mr. Deaver plead guilty to two felony counts. One count involves violations of federal ethics laws in his work as a Washington lobbyist; the other charge, one source said, could be perjury.

Acting on a lawsuit by Mr. Deaver, Mr. Jackson issued a 10-day temporary restraining order blocking Mr. Seymour from issuing a four-count perjury indictment against Mr. Deaver.

The judge ruled there would be no harm to the pending case against Mr. Deaver to delay it while he considers the constitutionality of the Ethics in Government Act of 1978.

If an indictment were returned immediately and the law later was nullified, Mr. Deaver may suffer damages that "could never fully be redressed," the judge said.

Jury to Decide

Philip Shonan of The New York Times reported earlier from Washington:

The sources familiar with the Deaver case had cautioned that the federal grand jury overseen by Mr. Seymour might reject the prosecutor's argument and refuse to indict Mr. Deaver. However, grand juries tend to follow the suggestions of prosecutors.

One said he understood that Mr.

Deaver had refused to plead guilty, opening the way for Mr. Seymour to seek an indictment from the grand jury impaneled in Washington.

Asked about the reports, Randall J. Turk, Mr. Deaver's lawyer, refused to comment. Mr. Deaver and Mr. Seymour could not be reached for comment.

It was unclear whether others also would face charges. In December, Mr. Seymour said he had found evidence that associates of Mr. Deaver also might have conspired to violate the ethics law.

Mr. Deaver would be the first person indicted under the Ethics in Government Act, which requires appointment of an independent council when high-ranking government officials are accused of wrongdoing.

He has been under scrutiny by the independent counsel since last summer, chiefly regarding allegations that Mr. Deaver had violated ethics laws that restrict lobbying by former government officials. Mr. Deaver has repeatedly denied wrongdoing.

Word of a pending indictment against Mr. Deaver came as Lieutenant Colonel Oliver L. North, the focus of a special prosecutor's investigation into the Iran-contra arms affair, went to court Tuesday to attempt to overturn the special prosecutor law.

In a lawsuit, Colonel North argued that the law infringed on the prosecutorial right of the executive branch. The suit asked that the investigations of all special prosecutors, including Mr. Seymour, be stopped.

After resigning from his White House job in May 1985, Mr. Deaver formed a multimillion-dollar lobbying firm in Washington.

Inquiries have focused on whether Mr. Deaver improperly used his relationship with Mr. Reagan and his wife, Nancy, to promote clients of his lobbying firm, including the governments of Canada, South Korea and Puerto Rico.

According to a person with knowledge of the investigation, Mr. Seymour contacted Mr. Deaver's lawyers on Tuesday. Mr. Seymour offered them the choice of pleading guilty to two felony counts or facing indictment on potentially more serious charges.

Democratic Governors Size Up Hart but Few Express Support

*By Bill Peterson
Washington Post Service*

WASHINGTON — Among the nation's Democratic governors meeting here this week, little support was evident for Gary Hart, the former Colorado senator widely regarded as the front-runner for the party's presidential nomination in 1988.

The governors, attending a meeting of the National Governors Association, are actively looking beyond the current candidates for a 1988 standard-bearer, a process accelerated by the withdrawal from the race last week of Governor Mario M. Cuomo of New York.

Several Hart political operatives, including the former chairman of

the Democratic National Committee, Charles T. Manatt, met with governors here but conceded that Mr. Hart does not have much strength among governors and other "institutional Democrats."

"A lot of these guys don't know Gary," Mr. Manatt said. "Hart needs to meet with them."

Governor Cuomo praised Mr. Hart on Tuesday as an "extremely strong candidate," but he said Governor Michael S. Dukakis of Massachusetts was "a uniquely strong candidate."

A Hart candidacy would seem to have a natural appeal for such young Western governors as Booth Gardner of Washington, and Steve Cowper of Alaska. The former Col-

orado senator fared well in the West during 1984 primaries and still has a strong organization in Washington state.

But neither of the first-term governors is a big fan of Mr. Hart.

Governor Gardner said that he and his wife "love" Governor Dukakis and that he could "do very well" in their state.

Governor Cowper likes a Southerner, Senator Sam Nunn, Democrat of Georgia, who has all but taken himself out of the race. "People think he is solid and sensible," Governor Cowper said.

There's a natural desire to go with a winner," said Gerald L. Baliles, governor of Virginia. "Right now, governors don't see one. No bandwagon psychology is at work yet. No one wants to close their options."

Governor Gardner said, "I really believe people are looking for an alternative to Hart. It's tough being a front-runner in this kind of race."

Both Governor Dukakis and Governor Bill Clinton of Arkansas, the association's chairman, are beneficiaries of such sentiments. Each is considering entering the race.

During the four-day convention, Mr. Dukakis held private meetings with governors and party leaders, including the 1984 presidential nominee, Walter F. Mondale, the former House speaker, Thomas P.

O'Neill Jr., a Democrat of Massachusetts, and Hamilton Jordan, a political strategist under former president Jimmy Carter.

Governor Terry E. Branstad, a Republican of Iowa, said Mr. Hart has a "commanding lead" in his state.

"It's very much like the Mondale situation in 1984," Governor Branstad said. Mr. Mondale used his position as front-runner to dominate Iowa precinct caucuses. Mr. Dukakis, Mr. Branstad said, did not create a favorable impression during a recent visit to Iowa and that "the last guy from Massachusetts who came to Iowa," Senator Edward M. Kennedy, "pretty much fell flat on his face."

Cuomo's Kind Words

In an interview with The New York Times, Governor Cuomo had kind words for most of the presidential hopefuls, but he seemed somewhat reserved in his comments about Mr. Hart.

Praised to say if he could enthusiastically support Mr. Hart if he won the Democratic nomination in 1988, Mr. Cuomo said, "I could support, I hope, any Democrat enthusiastically."

Regarding Mr. Hart, he said: "I don't see any reason why not at this point, but it's still early," said the governor, who managed Mr. Mon-

A Call for Nixon to Negotiate

New York Times Service

WASHINGTON — Governor Mario M. Cuomo of New York, exercising his new freedom from presidential politics, has proposed making former President Richard M. Nixon the nation's chief negotiator on arms control.

Mr. Cuomo, who last week announced that he would not seek the Democratic presidential nomination in 1988, said President Ronald Reagan should ask Mr. Nixon to take the lead in negotiating an arms treaty with the Soviet Union.

Asked why he would propose this, Mr. Cuomo replied: "He would obviously have the respect of Republicans and probably would have the respect of the U.S.S.R., which is a pretty good reason. He couldn't hurt you. So why not? He might be able to make a deal that nobody else has been able to make so far."

He said Democrats should not be concerned about Mr. Nixon's playing such a role because neither the former president nor anyone else could achieve an agreement on arms control unless it satisfied Senator Sam Nunn of Georgia, chairman of the Senate Armed Services Committee. Mr. Nunn, a Democrat, is perhaps the most influential member of Congress on national security issues.

Governor Cuomo said he had been pleased to read an Op-Ed column in The New York Times on Tuesday in which Dimitri K. Stiles, a senior associate at the Car-

negie Endowment for International Peace, called for giving Mr. Nixon a key role in arms control.

The governor said Mr. Reagan's performance last October at the Icelandic summit meeting with Mikhail S. Gorbachev, the Soviet leader, was "embarrassing," and he suggested that Mr. Reagan could not afford to put himself in the position of having "Gorbachev saying, 'O.K., get it right this time.'

Asked why he would propose this, Mr. Cuomo replied: "He would obviously have the respect of Republicans and probably would have the respect of the U.S.S.R., which is a pretty good reason. He couldn't hurt you. So why not? He might be able to make a deal that nobody else has been able to make so far."

He said Democrats should not be concerned about Mr. Nixon's playing such a role because neither the former president nor anyone else could achieve an agreement on arms control unless it satisfied Senator Sam Nunn of Georgia, chairman of the Senate Armed Services Committee. Mr. Nunn, a Democrat, is perhaps the most influential member of Congress on national security issues.

Governor Cuomo said he had been pleased to read an Op-Ed column in The New York Times on Tuesday in which Dimitri K. Stiles, a senior associate at the Car-



Chicago Democrats Renominate Mayor Washington

Mayor Harold Washington, Chicago's first black mayor, has become the first mayoral incumbent to win renomination in the city in the last decade. On Tuesday, he defeated former Mayor Jane M. Byrne by 6 percentage points for the Democratic nomination to run in the general election April 7. Mr. Washington did much better among white voters than Mrs. Byrne did among blacks. For decades, winning the party's nomination for mayor gave City Hall to the victor. However, in April Mr. Washington will face two other Democrats running independently of the party.

Delay of Gates's Confirmation Sought

*By Walter Pincus
and Dan Morgan
Washington Post Service*

WASHINGTON — The chairman and vice chairman of the Senate select committee investigating the Iran-contra affair have asked that confirmation of Robert M. Gates as director of central intelligence be delayed until completion of the congressional inquiries, which could run at least through April.

The chairman, Daniel K. Inouye, Democrat of Hawaii, said that Mr. Gates, the deputy director of the Central Intelligence Agency, is serving as acting director following the resignation of William J. Casey.

"It is not like a judicial appointment where there is a vacancy that has not been filled," he said.

Democrat of West Virginia, raised the question of Mr. Gates' nomination.

After the caucus, Mr. Byrd said that "the administration deserved itself by sending up the No. 2 man" who was "so close to the situation he is tainted by it."

Both senators said the Tower Commission report could shed more light on Mr. Gates' role when it is released later in the week. The commission, named for its chairman, John G. Tower, the former Republican senator from Texas, is investigating the operations of the National Security Council in the Iran-contra affair.

Both senators said the Tower Commission report could shed more light on Mr. Gates' role when it is released later in the week. The commission, named for its chairman, John G. Tower, the former Republican senator from Texas, is investigating the operations of the National Security Council in the Iran-contra affair.

An agency spokesman, George Lander, said the report "falsely" alleged that Mr. Gates circulated a memo in the White House supporting arms dealings with Iran in order to win favor with senior officials.

Routine AIDS Test Questioned in U.S.

*By Lawrence K. Altman
New York Times Service*

ATLANTA — A consensus appeared to be emerging against widespread mandatory testing for infection with the AIDS virus as American public health officials met this week to discuss ways to curb the spread of the deadly viral disease.

The Centers for Disease Control, the main federal agency charged with tracking the spread of epidemics, called the meeting Tuesday and Wednesday to explore expanded uses of blood tests for infection with the virus that causes acquired immune deficiency syndrome.

Officials called for discussion of the possible value of requiring testing of, for example, all patients entering hospitals, all pregnant women and all applicants for marriage licenses.

Many people interpreted that suggestion as an indication that the federal government would actually propose such testing requirements.

Opponents said such testing would be vulnerable to breaches of confidentiality. They also contend that it would be too broadly applied and might drive people most at risk from AIDS away from the health care system.

AIDS is caused by a virus that cripples the immune system, leaving patients vulnerable to infections and cancers. More than four out of five cases registered so far in the United States have involved homosexual or bisexual men or intravenous drug users.

Scientists do not know what proportion of infected people will develop the disease, but they presume that all carriers of the virus can spread it to others through sexual intercourse, exchange of blood or from mothers to newborns.

Dr. James O. Mason, the agency's director, insisted Tuesday that whatever testing did take place should be accompanied by strong legal protection against disclosure of the identities of people infected with the AIDS virus.

Dr. James W. Curran, who heads the AIDS program at the Centers for Disease Control, said at the meeting that strategies against the disease would have to be tailored to local conditions because of the disparities in infection rates among men and women and according to geographical and age factors.

For example, he said that in the states with the highest rates of infection, 3.34 percent of all men were estimated to be infected. In the states with the lowest rates of infection, the rate was only seven one-hundredths of 1 percent.

In the presentations and panel discussions Tuesday, there was broad consensus against mandatory or even routine testing for patients entering hospitals, pregnant women and applicants for marriage licenses.

Dr. Stephen Joseph, New York City's health commissioner, said at a news conference here that he had not heard a single public health official at the conference advocate mandatory testing for hospital patients or premarital screening.

"The drift or trend has been in another direction," he said, adding, "There needs to be a very large-scale increase in the availability and accessibility of counseling and testing" on a voluntary and confidential basis.

Dr. Joseph also stressed that expanded testing would require substantial investments in money and trained personnel and said federal officials should "put their money where their rhetoric is."

Although political experts agree that Mr. Hart has gone farther than any other Democrat so far in laying out specific proposals in domestic and foreign policy, Governor Cuomo suggested that the Colorado Democrat still had some questions to answer.

As of Monday, 31,036 cases of AIDS had been reported to the Centers for Disease Control, an increase of 640 from Feb. 2. Cases have been reported in every state and more than half were fatal.

Bavaria Orders AIDS Checks

Reuters

MUNICH — Bavaria announced Wednesday that include compulsory testing for prostitutes, drug addicts, some foreigners and applicants for jobs in the public sector.

August Lang, interior minister in the Bavarian state government, said that prostitutes and drug addicts would be tested for AIDS. If they refused, they would be picked up by police and forced to comply, he said.

Under the measures, which took effect immediately, people from outside the European Community will be barred from settling in Bavaria unless they can prove they are free of the virus that causes acquired immune deficiency syndrome.

Prisoners and people detained during investigations will be tested on entering and leaving custody, and prisons might be equipped with AIDS stations, Mr. Lang said.

French Will Let Addicts Buy Syringes

Pharmacies in France will be allowed to sell syringes without prescription in a one-year experiment to fight AIDS among drug users, The Associated Press reported from Paris.

Health Minister Michele Barzach, announcing the plan Tuesday, said the government would suspend a 1972 decree permitting syringe sales only with prescription or after an identity check. "It is not a realistic, 50 to 80 percent of drug addicts are infected," she said. "But we have to be realistic."

Dr. Claude Olstein, director of a drug treatment center in Paris, said the decision to lift restrictions on syringe sales was "courageous but late."

1988 Test Cited as Key To Deployment of SDI

*By John H. Cushman Jr.
New York Times Service*

WASHINGTON — A crucial missile-defense test, scheduled in 1988, could lead to early deployment of a space-based shield against ballistic missiles, according to Defense Secretary Caspar W. Weinberger.

Mr. Weinberger, in an interview Tuesday, said that the test, involving the destruction of a target in a collision with a prototype rocket, could best be carried out under a broadly permissible interpretation of the 1972 anti-ballistic missile treaty limiting such tests.

It was the first time that Mr. Weinberger had identified a specific test that could be accomplished under a new interpretation of the ABM treaty. Such a test, he said, could lead to deployment as early as 1993 or 1994.

His remarks on Tuesday came amid growing indications of strong opposition in the Senate to the re-interpretation of the ABM treaty.

The planned test would be

the second in a series that began in September 1986. At that time, two separated stages of a Delta rocket were maneuvered into a collision in an experiment that was hailed as a breakthrough by the Defense Department but criticized as a treaty violation by opponents of the missile defense plan.

Mr. Weinberger asserted that the ABM treaty, under the new interpretation, would allow development and testing of a wide variety of defensive systems, including those based in space. In his view, any technology that was not actually incorporated in anti-missile rockets, launchers or sensors of the sort that existed when the treaty was signed in 1972 is exempted from the prohibition on testing.

This is the broadest view yet put forward of the treaty reinterpretation, which has become the focus of arms control negotiations. It is an interpretation that some other arms control experts in the Reagan administration privately reject.

INTERNATIONAL HERALD TRIBUNE

Published With The New York Times and The Washington Post

Reagan Can't Remember

Ten weeks ago, White House aides brided at the joke about the Iran-contra crisis: What did President Ronald Reagan forget and when did he forget it? As things have turned out, it was no joke.

Did he approve the first shipment of arms to Iran in 1983? He cannot remember, he giddily cannot remember, according to a senior official. Mr. Reagan himself concurred in that proposition Tuesday. "It's possible to forget," he said, asking a group of visitors if any could remember what they were doing on Aug. 8, 1983. None could.

But it is not likely that any of his guests had been called on to do anything as bizarre, contrary or indefensible as for Mr. Reagan to approve arms shipments to Iran. Iran? Why, just a month before, on July 8, as noted by James Schlesinger, the former defense secretary, Mr. Reagan had called Iran a prime example of "outlaw states run by the strongest collection of misfits." Looney Tunes and squall criminal since the advent of the Third Reich? It may be possible to forget approving arms for misfits, Looney Tunes and squall criminals, but the claim is no more reassuring than any of the accounts the president and his men have provided since the scandal began, yielding circles within circles as each account has broken down.

There is reason to believe that the original decision to deal with Iran, contrary to all anterior pronouncements, was prompted by a reckless desire to free hostages. When

the enterprise was exposed, the primary response evident among the president's men was to disbelieve it. As that effort failed, everything seemed to focus on rationing out statements or corrections, one every few days.

Meanwhile the White House turned from bully pulpit into whirlpool, churning around an apparent gap at the center. The president's State of the Union address could have been a nationally televised platform for the regret and renewal the country would have welcomed. It came out sounding like a rerun. Meanwhile, old hands who might once have rallied round the president are themselves under investigation: Michael Deaver, Lyn Nofziger. Meanwhile, other aides are biting out: Pat Buchanan, Larry Speakes, Mitchell Daniels. And recruiting replacements becomes difficult.

Meanwhile, there is concern about Mr. Reagan's strength. Three months after his last news conference and seven weeks after his prostate surgery he remains largely shielded from reporters' questions.

Meanwhile, the White House is consumed with bickering, scapegoating, finger-pointing. It was all Oliver North's doing, or John Poindexter's. Blame William Casey. Question Robert McFarlane. Fire Donald Regan. Fudge the facts. Each inflamed voice urges the same priority: Evade the blame. There is only one sure way to do that: Govern the country.

— THE NEW YORK TIMES

Brazil Versus the Banks

Brazil's moratorium on its interest payments brings the international game of chicken over Latin American debts to a new and dangerous phase. In this test of wills and nerves, each side has a great deal to lose if it overplays its position. If Brazil treats its obligations recklessly, it will be cut off from all further foreign credit, with dire economic consequences for President José Sarney's government from which no amount of nationalistic chest-thumping can rescue it.

As for the banks that are Brazil's creditors, their situation is better than when the crisis began. They have had time to accumulate reserves against these debts. But that seems to have made some of them arrogant and inflexible. In particular, Citicorp of New York, head of the leaders committee, has carried its intransigence, and its insistence on the last nickel, to a point that has begun to draw sharp objections from the Reagan administration.

Brazil is not an isolated case. The banks agreed in principle to the Mexican refinancing nearly five months ago, but have yet to come up with the money. The same banks, with Citicorp apparently in the lead again, have been carrying on a long, corrosive quarrel with the Philippines over its debts. If the banks cannot bring these cases to reasonable ends, they invite a solution imposed by the U.S. government. They will not like it, but there is too much at risk to leave the outcome, or lack of it, to bankers grappling for another eighth of a point in interest.

The banks might usefully reflect that they have a lot at stake in Washington these

days. If, to take the worst case, Congress should decide a couple of years from now that the banks were collectively responsible for a collapse of a struggling new democratic government in Brazil those banks will have difficulty persuading anyone in Congress that they are fit to hold the broad new powers for which they are now lobbying.

But Brazil has responsibilities as well. It will not help to get sentimental over that country's distress, which is largely self-inflicted. Brazil has used more than \$100 billion of the world's savings to build dams, factories, railroads and all the rest. Those investments were, in general, good ones and can repay the lenders. President Sarney says defiantly that Brazil is entitled to grow. That is true, but is not the issue. Brazil grew last year at a phenomenal rate, perhaps 12 percent. Its spectacularly successful export drive has faded because Mr. Sarney has been trying to buy popularity with grossly inflationary wage increases. The goods being sold abroad two years ago now are being consumed at home. Brazil's inability to make its debt payments is the result of its internal economic troubles, not the cause of them.

The outlines of the necessary compromise are pretty clear. The banks are going to have to put up some new money, with no foot-dragging, and on better terms than in the past. Brazil, for its part, is going to have to keep up its payments. It is not entitled to default. But it is entitled to generous treatment from the banks, which have been profiting mightily from these loans.

— THE WASHINGTON POST

'Punto Final' to Justice

Some of the most notorious torturers and commanders of Argentina's "dirty war" have now been granted amnesty. A historic process of legal accountability begun on the basis of clear principle has been transformed into an unsatisfying and potentially dangerous mess. President Raúl Alfonsín, who deserves most of the credit for that noble beginning, also deserves most of the responsibility for this unseemly "punto final" or full stop.

In 1983, as the newly elected president, he bravely defied the military when he insisted on trials. The generals, humbled by defeat in the Falklands, still held key levers of power. Mr. Alfonsín understood that democracy required accounting for the 9,000 or more who were killed in the seven-year dirty war. Former junta members and police commanders were convicted and sentenced.

But eventually, despite strong public support for continued prosecution, Mr. Alfonsín changed tack, heading the planks of the military and the civilian right. Last December, citing a desire for national reconciliation,

and a supposed military threat, he pushed a law through the Argentine Congress that set tight timetables for tried and resolving thousands of unprosecuted cases. To their credit, courts suspended scheduled recesses and have produced, thus far, a surprising 150 further summonses to trial. Beyond these and a few special cases to be resolved in coming weeks, no new charges or investigations will be considered.

Paradoxically, the pragmatic goals for which principle was sacrificed have not been achieved. Some 30 active-duty officers were included by the courts among the last cases.

This was the right decision, but it could also ignite the military danger. And cynicism, not reconciliation, is the most likely response to seeing so much evil go unpunished.

When Mr. Alfonsín insisted on trials for the uniformed criminals of the dirty war, he did much to strengthen the spirit of a country that had reached the brink of moral devastation. Sadly, his "punto final" dilutes this remarkable achievement.

— THE NEW YORK TIMES

Other Comment

The Peres-Shamir Dispute

A row, perhaps a pseudo-row, has broken out again in Israel about the form that negotiations with the Arabs should take. It was aggravated Monday by a statement from the foreign ministers of the 12 European Community member states that supports the position of Shimon Peres against that of his prime minister, Yitzhak Shamir. Mr. Peres, now foreign minister under the rotation agreement, arrived Wednesday in Cairo for further talks about the process and already has agreed in principle that the forum should be an international conference with both superpowers present. Mr. Shamir strongly resists this approach and has publicly threatened that the dispute could bring down the coalition.

Apart from Mr. Shamir and his Likud colleagues only the United States is opposed

to a conference under UN supervision, and the U.S. objections might well be overcome by tact on the Soviet side and persuasion on the European. Mr. Shamir opposes anything other than direct talks with Jordan and others. But the difference between his position and that of Mr. Peres is not as great as it seems. Neither is willing to negotiate directly with the Palestinians, except those of their own choosing, which is why President Ronald Reagan's Middle East peace plan has gotten nowhere. Direct negotiation, however disguised, would be needed even at a UN conference. The United States has sent envoys to the Middle East shuttle countless times to bring together a Jordanian-Palestinian delegation acceptable to Israel. But U.S. standing in the region is at an all-time low. Mr. Shamir has little reason, on this score, to fear for the survival of his coalition.

— The Guardian (London).

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Aquino Marks Revolt By Urging Army to Defend Democracy

By Keith B. Richburg
Washington Post Service

MANILA — President Corazon C. Aquino, speaking Wednesday on the anniversary of last year's revolt, praised the military for its role in toppling President Ferdinand E. Marcos, but she urged the army to turn its attention to protecting the country's democracy.

"The military's refusal to turn against the people was a feat worthy of admiration," said Mrs. Aquino, whose campaign for the presidency last year galvanized a nation in opposition to Mr. Marcos's authoritarian rule.

"You disobeyed the dictator in obedience to the higher call of freedom," Mrs. Aquino said, "and for that you will be rewarded."

On Feb. 22 last year, a small faction of the military announced it was withdrawing support from Mr. Marcos and recognizing Mrs. Aquino as the winner of the presidential election. At the urging of Cardinal Jaime Sin, the powerful archbishop of Manila, more than a million citizens surrounded the two military camps the rebels controlled and blocked government tanks from entering.

Four days later, under mounting military defections and pressure from U.S. officials, Mr. Marcos fled to Hawaii in exile. He left behind a powerful military establishment demoralized after years of acting as his personal security

force, but also highly politicized after the success of the anti-Marcos rebellion.

Since the revolt, some factions in the military have considered the army a kingmaker of the civilian government that keeps Mrs. Aquino off balance under the constant threat of a coup.

"Our people turned to defend your lives," Mrs. Aquino said during a flag-raising ceremony at Camp Aguinaldo, site of the rebellion. "It is now your part to defend their freedom."

Vice President Salvador H. Laurel was more blunt in his speech largely directed at the military.

Mr. Laurel said one of the lessons of the revolution was that "the military must always uphold civilian rule and must never wrest power for themselves." The revolution, he said, demonstrated "a reversal of roles," since "survival of the people" depended on the survival of the people.

As a symbolic measure of the government's partial success in gaining control of the military, most of the key figures who led last year's revolt were absent from Wednesday's festivities.

One was Juan Ponce Enrile, Mr. Marcos's defense minister whose defection triggered the rebellion.

The clique of young middle-level officers who supported Mr. Enrile and were the core of the revolt, were absent as well. They were once akin to cult heroes here, appearing on posters with machine guns blazing. But they have been largely discredited and neutralized after being implicated in several anti-Aquino coup conspiracies.

Mr. Enrile's rapid shift to the political sidelines and the neutralization of the young officers that backed him are perhaps the most visible political change here one year after the revolution.

The speeches Wednesday by Mrs. Aquino and Mr. Laurel were part of a long day of street celebrations to mark the first anniversary of Mr. Marcos's departure. The day's events included five helicopters flying overhead, a parachute jump exhibition, and songs by the American folk trio, Peter, Paul, and Mary.

Flood and Avalanche Toll Is 88 in Soviet Georgia

Reuters

MOSCOW — Floods, avalanches and landslides due have killed 88 people and caused widespread destruction since the start of the year in Soviet Georgia, the republic's government leader, Otari E. Cherkashin, said.

He was quoted by the newspaper Seltskaya Zhizn on Wednesday as saying 20,000 people had been evacuated from areas where heavy snowfalls, followed by warm spells, caused avalanches and flooding.

Aquino's Flexibility Slows Rebel Momentum

By Jim Hoagland
Washington Post Service

MANILA — The Reagan administration's year-old gamble that Corazon C. Aquino could rally the Philippines against a growing Communist-led insurgency better than Ferdinand E. Marcos appears to be paying off.

Mrs. Aquino has not quelled the revolt, which was an urgent foreign policy problem for Washington a year ago. There are still about 23,500 rebel fighters of the New People's Army in the field.

But the president has succeeded in throwing the rebels off balance, establishing herself in public opinion as a moderate interested in social justice. This has significantly slowed the momentum the rebels had been accruing against the Marcos government over 18 years.

Mrs. Aquino fled into exile a year ago Wednesday, after U.S. policy makers exerted pressure on him to yield power. They acted out of concern over Mr. Marcos's ineffectiveness in opposing the rebels, U.S. officials said at the time.

Today, Washington appears reassured by recent changes in leadership in the army and in field

operations in the Philippines. While the insurgency is still a source of concern, it appears to have lost much of the urgency that made it a top-priority problem for U.S. officials in February 1986.

Senior Philippine military officers said that there had been a 24-

NEWS ANALYSIS

percent decline in violent incidents in the countryside over the past year. They also contend that 343 rebels and 766 of their political workers defected in 1986.

It has been a year in which both the rebels and the army have had to adjust to Mrs. Aquino's middle-of-the-road policies, which emphasize exploring the chances for a peaceful settlement with the rebels while improving the Philippine military's capability to defeat them in the field.

"We have to rethink things," acknowledged Carolina Malay-Ocampo, a top representative of the National Democratic Front, the political arm of the New People's Army. "We have to have new ideas to deal with a new situation." She added: "Mrs. Aquino seems

to have second thoughts about the military option, whereas Marcos would just have gone straight ahead. She says she wants a peace settlement. We have to see. We would never take such statements seriously from Marcos."

Ms. Malay-Ocampo was a member of the rebel delegation that engaged in unsuccessful negotiations with the government while a 60-day cease-fire proposed by Mrs. Aquino was in effect.

The cease-fire ended Feb. 8 and each side appears to be gearing up for a new round of fighting.

But the guerrillas also have decided to encourage surrogate organizations to participate in the political battle for favorable public opinion as a response to Mrs. Aquino's more flexible policies, said Ms. Malay-Ocampo.

"We haven't given up on the option of negotiating a peace settlement," she said. "But we cannot give up the option of the armed struggle either. If we did, they would just kill us."

"They are applying parliamentary struggle and armed struggle simultaneously," Defense Minister Rafael M. Ileto said of the rebels.

He described the government's strategy as "a balanced approach" between political reform and military pressure.

"If you use a soft approach, you can't win them all over," he said. "If you use the hard approach, you can't kill them all. You have to put them under pressure, and be ready to talk."

Since taking over the Defense Department in November, Mr. Ileto has moved quickly to correct many of the shortcomings that U.S. policy makers and others had criticized under Mr. Marcos.

The Marcos administration promoted military officers for their personal loyalty, and gave them money and favors, while failing to supply troops fighting the rebels.

At least 40 generals have been retired in the past year, officers report, and battalions that had been near Manila to protect Mr. Marcos have been moved out.

"We found there was too much money spent on public relations, on intelligence that was not related to combat capability," said Mr. Ileto. "We are spending money on ammunition and on gasoline for helicopters to go after the rebels."

INQUIRY: Tower Panel Believes Reagan Knew About Iran Arms Sales

(Continued from Page 1)
hand." Mr. Reagan noted that no one in the audience did so.

At the White House, presidential advisers have been holding a flurry of meetings over the last two days to devise a strategy for dealing with what is expected to be a highly critical report.

Officials said some advisers are telling Mr. Reagan that he has to take a more critical view of the operation and assume greater personal responsibility for its failure.

But other advisers generally agree that, to make a fresh start, the president must remove Donald T. Regan as his chief of staff and appoint a replacement who can command respect on Capitol Hill and in the political world.

Among those mentioned as leading candidates to succeed Mr. Reagan are Paul Laxalt, the former Republican senator from Nevada, and Drew Lewis, chairman of Union Pacific Railroad.

DENG: Experts Say He May Have Lost Grip on Power

(Continued from Page 1)
the declining power of the Politburo, which in theory is the most powerful body in China.

"They held an enlarged meeting of the Politburo to get rid of Hu," the analyst said. "The majority at the meeting was non-Politburo members. Why did they do this? The answer is the Politburo is not strong; the power was elsewhere."

China watchers in Hong Kong cited these developments, among others, to support their view that Mr. Deng was under attack:

* The call last summer for political change, which was identified with Mr. Deng and Mr. Hu, was discussed in September at a preparatory meeting before a plenary

session of the Central Committee, but no action was taken.

* China's newspapers carried a previously unpublished speech last week that Mr. Deng delivered in 1962 at a conference to criticize the policies of the Great Leap Forward in 1958 and 1959. Mr. Deng attacked the misguided economic policies of Mao Zedong and called for collective leadership in the party. "They are using his words against him," a Chinese analyst said. "By choosing this speech to publish, they are attacking his economic policies the way he attacked Mao's policies."

* Despite the assurance from Mr. Zhao that the campaign against "bourgeois liberalization" would be confined to the party, the Chinese military declared that the campaign would permeate the armed forces, the analyst said.

Publishers, theaters, film studios and artists also have been admonished to watch the political soundness of their work.



POLICE BREAK UP SEOUL PROTEST — Opposition militants led by Kim Young-Sam, second from right in front, tried to enter the Seoul headquarters of his Council for the Promotion of Democracy, where they were to hold a rally on Wednesday. Hundreds of police blocked the entrance to the building and detained several people.

BEGUN: Activist Tells of 'Terrible' Solitude in Soviet Jail

(Continued from Page 1)
he was sentenced to seven years in labor camp and five years of internal exile.

He served the first year in a labor camp outside of the city of Perm, near the Ural Mountains, and then was moved in April 1985 to Chistopol, about 85 miles (about 140 kilometers) from Kazan, a city on the Volga River. In addition to political prisoners, Chistopol is reported to house about 1,000 criminals.

Life in prison is much worse than life in the camps, where at least prisoners have contact with each other and can see the whole sky, Mr. Begun said.

In Chistopol, an average cell was kept dimly lit at all hours, too much so cold at night that to sleep, Mr. Begun said, food was passed through a window in the steel door, called in Russian the "bird feeder." In the daytime folded up against the wall he said.

Some of the isolation cells were "relatively warm," but others were so cold at night that to sleep, Mr. Begun said, he would run around the cell to keep warm, fall asleep and in an hour wake up from the cold.

The sentence to the isolation cell

was usually for 15 days, he said, but it could be prolonged arbitrarily.

Political prisoners were given work to do in their cells. In Mr. Begun's case, the job was to make nets for shipping and storing vegetables.

The norm for prisoners was eight hours of work, Mr. Begun said. He and other political prisoners did not work the full norm out of principle, he said, but they did work about an hour a day.

Any violation of the rules had its price, such as being deprived of the right to buy extra food from the prison store or being deprived of the twice-yearly visit by relatives.

But Mr. Begun said, "the most terrible was solitary confinement."

According to Mr. Begun, the guards at Chistopol were "very polite" with political prisoners, but the punishment was "very terrible."

He said the treatment of criminals was the reverse: "The guards were very rude, but the punishment was soft."

Once, he recalled, a convicted spy was put in his cell, a barren room about eight feet by five feet (about 2.4 meters by 1.5 meters).

"It was a means of additional pressure," he said. The man beat him, Mr. Begun said. He showed a scar on his right leg.

Lisbon Dockers End Action

Reuters

LISBON — Lisbon's port workers on Wednesday ended a 10-day strike that had delayed cargo handling and forced some vessels to go to other ports, port and union officials said.

The trip was part of a flurry of diplomatic activity by Pakistan, Afghanistan, Iran, the Soviet Union and the United States since the Kabud government proclaimed a program of "national reconciliation" in January. The government offered amnesty to the guerrillas, a proposal to form a coalition government and a cease-fire to take effect Jan. 15.

The rebels rejected the program,

and the war has continued.

Mr. Nitze and Mr. Perle are to visit Paris, Brussels, The Hague and Rome.

France has traditionally regarded the ABM treaty as the most important arms agreement between Moscow and Washington.

The French fear that, if the two superpowers eventually move to deploy anti-missile systems, their own independent nuclear deterrent could be rendered meaningless.

GORBACHEV: Changes Urged

(Continued from Page 1)

reaction are trying at any price to put a brake on our movement ahead and force us to remain on the rails of military confrontation," he said, blaming the United States for a deadlock in arms control talks.

Mr. Gorbachev emphasized several points by departing from a prepared text released by the official Soviet press agency Tass.

Indicating the intensity of the debate on his proposals for new, more democratic inner-party procedures, he said that a meeting of the Communist Party Central Committee last month had been postponed twice before it finally was convened.

"If we had limited ourselves at the plenum merely to stating that we have shortcomings and difficulties, it would have come from this plenum."

Mr. Gorbachev's proposals centered on introducing secret ballots and multiple candidacies for senior party and state offices.

He said many people had wondered before the Janus plenum if party stalwarts would block the campaign for change.

"Now there is more confidence," Mr. Gorbachev said.

"Democracy is not the opposite of order," he said. "It is on a higher level, based not on unquestioning obedience and blind performance but on the participation of people in society's affairs with full rights and initiative."

Mr. Gorbachev was greeted with applause from the trade unionists when he said the Soviet leadership was determined not to abandon its course, which he described as fully consistent with socialism.

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ABM: Talks With Allies

(Continued from Page 1)

of Washington's new course, the Kohl statement said that "an essential criterion" for Bonn was whether the U.S. "decisions" were "harmful or beneficial" to the Geneva arms negotiations. It was extremely unusual for Mr. Kohl, usually a loyal supporter of Mr. Reagan, to voice such reservations.

In London, a spokesman for Mrs. Thatcher said the prime minister had stressed the need for predictability in arms control so that neither superpower was surprised by decisions taken by the other.

While insisting that the interpretation

of the 1972 treaty was a

matter for

the

two

countries

to decide, the spokesman said that Britain favored a way of testing anti-missile systems "that doesn't affect the predictability of the broad interpretation."

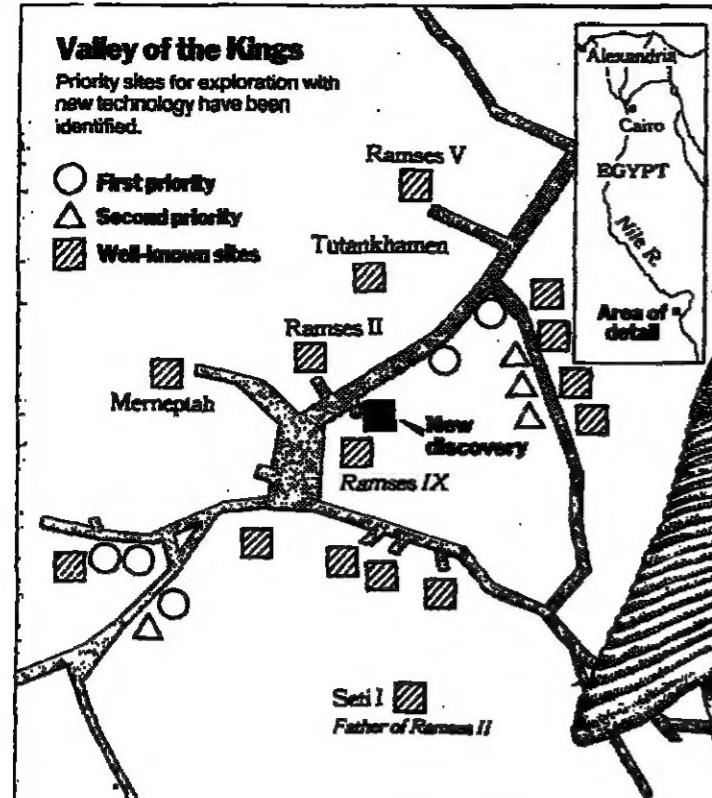
A Western diplomat said that Mrs. Thatcher had been informed that Secretary of State George P. Shultz agreed with Mr. Nitze and Mr. Perle on the broad interpretation of the treaty. A considerable part of the discussion was said to have been taken up with the Americans' describing the kind of space tests that were contemplated under the broad interpretation.

Mr. Nitze and Mr. Perle are to visit Paris, Brussels, The Hague and Rome.

France has traditionally regarded

SCIENCE

Technology Finds Tomb



By John Noble Wilford

New York Times Service

ARCHAEOLOGISTS, heading the message of the magnetometer, dug into the rocky slope of Egypt's Valley of the Kings and uncovered steps carved out of the limestone. The steps descended to a dark passage and through that into a tomb that could hold inscriptions suggesting it once belonged to the sons of Ramses II. Over the years it had disappeared, presumably buried in the rubble discarded by archaeologists working nearby.

The last major find in the area was the discovery in 1922 of the untouched tomb of the young Tutankhamen, better known as King Tut.

Finding the tomb was a reassuring demonstration of the capabilities of modern remote-sensing technology, such as sonar, radar and magnetometry, to expand the range of archaeologists in the field. French and Japanese scientists have reported encouraging results using similar techniques in search of hidden chambers in the Pyramids and the Sphinx at Giza.

Preliminary analysis at the new site indicates that the underground chambers were probably the burial place of several of Ramses's many sons. Although the huge central room is badly damaged and filled almost to the ceiling with rubble, its size and design — 100 feet on all sides and supported by 16 large pillars — suggests to archaeologists the grandeur of the 66-year reign of Ramses II, who ruled from 1290 to 1224 B.C. This room is one of the largest in any of the known burial places set in the cliffs above the alluvial plain west of the Nile.

The tomb was found by a survey party led by Kent R. Weeks, an associate professor of Egyptian archaeology at the University of California at Berkeley. Dr. Weeks is engaged in a project, now in its eighth year, to survey ancient Thebes, on the Nile 500 miles south of Cairo, and prepare a map and inventory of the temples, monu-

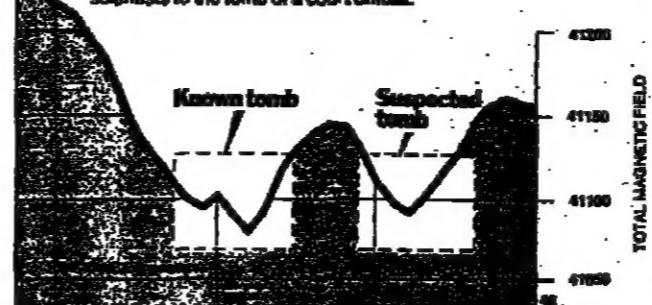
ments, tombs and other structures. On the east side of the river stand the ruins of Karnak and Luxor. Across the river is the necropolis that includes the Valley of the Kings, the burial ground for Egyptian monarchs and nobles who lived between 1600 B.C. and 1000 B.C.

Mapping the ruins in detail and searching for hidden chambers, Dr. Weeks said, will give the Egyptian government information it needs to protect the priceless antiquities against vandalism and identify those structures most in danger of water damage. The survey is also being used in making decisions on where to build new tourist operations that would not intrude on hidden ruins.

This was why the Berkeley Team Mapping Project, the formal name for the Weeks group, was concentrating its search and survey on the area near the entrance to the

Sensor Pinpoints a Buried Tomb

Archaeologists measured underground magnetic fields to find new tombs. They compared underground magnetic profiles of possible sites with the profile of a known tomb. The data provided by this graph led scientists to the tomb of a court official.



Valley of the Kings. There, at the edge of a parking lot where the postcard hawkers and guides accost each new flock of tourists, the surveyors detected the remote-sensing clues that led them to the tomb.

Explorers in 1820 had reported finding a tomb there that had inscriptions suggesting that it once held inscriptions of the sons of Ramses II. Over the years it had disappeared, presumably buried in the rubble discarded by archaeologists working nearby.

The archaeologists accepted an offer by a petrochemical financier who wanted to look for hidden tombs using oil-exploration technology. Bruce Heafitz, a financier who is based in Manhattan, got the idea on a visit to King Tut's tomb when a guide remarked, "If you think this is something, wait until we find something of the really significant pharaohs."

So encouraged by Dr. Weeks, he hired the Weston Geophysical Corp. of Westboro, Massachusetts, to conduct the field work last year.

One early attempt, using a seismic vertical profiling survey, was ineffective. This involved setting off explosive charges that sent seismic waves reverberating through the ground. Analysis of signals reflected from subsurface rock layers produced a cross-section of the rock, including evidence of cavities. But the tombs were close to the surface, Heafitz said, where the seismic signals are difficult to interpret.

Another attempt used ground-penetrating microwave radio signals, a form of radar, which are usually sensitive to shallow underground cavities. The radio waves bounce off changes in the density of materials, such as an air pocket set among bedrock. But the results were ambiguous, Heafitz said.

Another method, electrical resistivity tests, was a failure because the ground was too dry. This technique relies on measurements of the ground's conduction of an electrical current, with resistance indicating density changes in the subsurface structure.

It was the magnetometer observations that pointed the way. The limestone bedrock in the Valley of the Kings contains particles of iron. A magnetometer on the surface generates a small electric signal that measures the intensity of the magnetic field below the surface. Where there is a break in the bedrock, as at an entrance cut out for a tomb, the magnetometer records a distinct dip.

In tests above a known tomb earlier last year, Heafitz said, the graph of magnetometer data showed a level line over bedrock and a deep trough over the tomb. A suspected tomb was detected in this way and unearthed in two hours of digging. It was the tomb of Zahi Hawass, chief inspector of the Giza Pyramids, said French and Japanese research teams, using seismic and magnetic remote-sensing, recently detected several hollows in the Pyramid of Cheops and under the Sphinx.

"We're conservative in archaeology, but we are coming around to modern technology," said Thomas Logan, a curator of the Oriental Institute at the University of Chicago.

IN BRIEF

Drug Found Useful in Treating Liver

BOSTON (UPI) — A drug commonly used for cancer treatment produced "dramatic" results when used to treat two patients suffering from one type of non-malignant liver disease, according to researchers. While the results indicate the drug methotrexate may offer the first effective treatment for at least one type of liver disease, the researchers stressed that more study is needed to confirm the findings.

"Liver disease is notoriously tickle," said Dr. Marshall Kaplan, who treated the patients at the New England Medical Center in Boston. In the February issue of the *Annals of Internal Medicine*, Kaplan and his colleagues reported the results of using methotrexate to treat two patients with primary sclerosing cholangitis.

The disease is a progressive, untreatable form of liver disease that affects an estimated 5,000 people in the United States. Patients usually die of liver failure if they do not undergo a transplant.

Computer Aids Transplant Program

LEIDEN, Netherlands (AP) — Dr. Bert Groenewoud and his colleagues here use a computer that rapidly matches vital organs to people awaiting transplant operations in the Netherlands, Belgium, Luxembourg, West Germany and Austria.

Dr. Groenewoud and his team play a role in about 3,800 organ transplants a year, although they rarely see the inside of an operating room. Their Eurotransplant Foundation uses the computer to make quick matches for hearts, lungs, kidneys, livers, pancreases and corneas of people who have just died.

In its computer records, Eurotransplant lists genetic information and the blood types of patients awaiting transplants, along with how long a patient has been waiting for the operation, and how urgently it is needed.

Back Muscle Enlisted to Aid Heart

PHILADELPHIA (Reuters) — A revolutionary heart pump fashioned from a patient's own muscle could someday aid thousands of people at a fraction of the cost of transplants, according to the doctor who has developed the device.

The device has been tested in laboratory animals, including a dog who lived almost three months with an auxiliary heart pump fashioned from his own back muscle. The dog died after clots damaged his kidney — a problem that has cropped up with other artificial heart techniques.

But Dr. Larry Stephenson of the University of Pennsylvania, who has collaborated on his research with Swedish and British scientists, said he had several possible ways of solving the problem, including using an anti-coagulant to prevent clotting.

The key to the procedure, he said, is conditioning muscle from the back or some other part of the body to behave like heart muscle. The procedure, which Dr. Stephenson expects to be tested in humans within a few years, involves surgically moving back muscle to a patient's chest.

Tests Set on Male Contraception

SEATTLE (NYT) — Beginning this spring, up to 400 men in countries around the world will begin to test a synthetic form of the male hormone testosterone as a form of birth control. Researchers hope its use for contraception will rival the condom in effectiveness and acceptance.

In the first clinical testing of the method, the men will receive the injections once a week for a year. Unlike previous tests, they would use the injections as their sole source of birth control.

Dr. C. Alvin Paulsen, a professor of medicine at the University of Washington here, has been testing the method in the laboratory and on animals since 1972. The new tests will be conducted in the United States, England, China and other nations selected by the World Health Organization, an agency of the United Nations.

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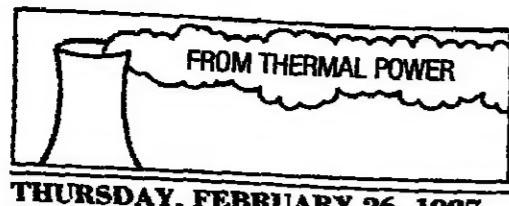
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THURSDAY, FEBRUARY 26, 1987

WALL STREET WATCH

Kidder Unlikely to Cast A Long Shadow Over GE

By VARTANIG G. VARTAN
New York Times Service

NEW YORK — Shares of General Electric Co. took a bumpy ride last week, first hitting a record high of \$103.75 and then finishing at \$101 for a net loss of \$2.50. The sudden downturn reflected investor concern that GE might face liabilities because of its 80 percent ownership of Kidder, Peabody & Co., an investment firm that has been linked to allegations of insider trading.

Most Wall Street analysts are optimistic about the prospects for GE's stock, which rose \$1.625, to \$102, on Tuesday, and they tend to doubt there will be further market repercussions because of the Kidder, Peabody affair. "Any worst-case scenario involving Kidder, Peabody is already reflected in the stock price," said Nicholas P. Heymann of Drexel Burnham Lambert. He said that GE remains "a compelling buy."

E. Robert Quasman of Oppenheimer & Co. said, "While concerns about GE's Kidder-related exposure could continue to cast a pall on the stock near term, we continue to believe GE's stock is more attractive than the market and would regard any current weakness as an opportunity to add to positions."

Both analysts predicted higher profits for GE, which earned \$5.46 a share last year. For the first quarter of 1987, Mr. Heymann projects earnings of \$1.39 a share up from \$1.18 in the comparable 1986 period. His full-year estimates call for \$6.50 a share in 1987 and \$7.75 in 1988. Mr. Quasman's projections are more conservative, at \$6.35 a share this year and \$7.40 next year.

"Long-term prospects are enhanced by General Electric's increasing emphasis on service businesses," Standard & Poor's stock reports say, "and its superior management and product leadership." GE's share hit record highs early last week after the company proposed a two-for-one split and said it would consider raising the cash dividend to a yearly rate of \$2.64 a share, on a pro-split basis, from the current \$2.52.

"Fundamentally, we anticipate future announcements will remain positive," Mr. Quasman said, and "GE will increase its quarterly dividend again in November." At current market prices, the stock yields about 2.5 percent.

ALTHOUGH the issue has advanced 40 percent since October, Mr. Heymann envisions a target price of \$129 to \$134 a share over the next six to 12 months. Looking further ahead, he says he believes a price of \$150 a share is attainable in the next 18 to 24 months.

"The latter target will become even more readily attainable," he added, "if our belief that GE is on the threshold of another major acquisition proves true." Such an acquisition, carrying an estimated value of \$5 billion to \$10 billion, could be announced before the middle of this year, Mr. Heymann suggested.

Among the factors conducive to an acquisition, he said, are GE's "very solid" finances, with cash and marketable securities alone totaling \$2.3 billion, and attractive borrowing rates.

The giant company, whose operations range from consumer products and industrial systems to aircraft engines and technical products, completed its acquisition of RCA Corp. in June, the same month it acquired control of Kidder, Peabody.

Mr. Heymann's theory is that any future major acquisition aimed at enhancing the value of GE's stock could be made in a new area. "GE's management has the talent for unlocking real asset values in other companies," he said. "After five years of aggressively revamping its own operations, GE has emerged as one of the best restructuring in the world."

One acquisition technique used by the company in the past is to play on a cycle. When GE acquired Employee Reinsurance Corp. in 1984, it was a timely play on the upturn in the property-casualty business. "Also, in the RCA acquisition," Mr. Heymann said, "the company got NBC — an attempt to play the coming deregulation of the network industry."

Some analysts believe GE is on the threshold of another major acquisition.

Britain Blocks Sugar Bid

Rules Out Offers
By Ferruzzi, TateReuters
LONDON — The government Wednesday blocked rival bids by Gruppo Ferruzzi of Italy and Tate & Lyle PLC of Britain to take over British Sugar PLC, which has a monopoly on the country's sugar beet refining.

A successful bid by Ferruzzi would have made the Italian company the world's biggest sugar producer. But the Department of Trade and Industry halted the takeover battle by saying that both bids "may be expected to operate against the public interest."

The department said in a statement that it was following recommendations of the Monopolies and Mergers Commission, a governmental regulatory body.

Ferruzzi, a food and farms group that already dominates the European sugar industry, would have captured about 24 percent of the European Community sugar market if its bid had been approved.

Gruppo Ferruzzi announced in November that it had agreed to buy 70 percent of British Sugar, which has about 50 percent of the British sugar market. The bid, worth \$425 million (\$655 million), was accepted by SWF Berisford PLC, the commodity trading and processing group that owns British Sugar.

Tate & Lyle had offered \$480 million for all of Berisford in May, but it planned to sell off all of the company except British Sugar to management if its bid was successful.

The trade department ruled Wednesday that neither bid could proceed and that Ferruzzi should reduce its existing stake of about 24 percent in Berisford to 15 percent over the next two years. Tate & Lyle has a stake of about 10 percent in the company.



A worker finishing a body shell at the Peugeot plant in Sochaux, France. Peugeot's chairman, Jacques Calvet.

Peugeot Regains Its Reason to Roar

Restructuring, Automation Boost Profit, Market Share

By Jacques Neher
Special to the Herald Tribune

PARIS — The lion frozen on Peugeot SA's corporate logo has something to roar about these days.

After suffering through a long and painful restructuring, the private French manufacturer of Peugeot and Citroën cars has regained its position as a major force within Europe's highly competitive car industry. And emboldened by its success and newfound profitability, it is now set to take a serious stab at the American market.

Although 1986 results have not yet been released, Jacques Calvet, Peugeot's chairman, estimated last month that net earnings would rise enough to allow the company to pay a dividend for the first time since 1981. Analysts estimate that the company's 1986 earnings will be from 1.5 billion to 2 billion francs (\$248 million to \$300 million, at current exchange rates), compared with 1985 profit of 543 million francs.

The 1986 profit would be the first major payback since Peugeot began restructuring and modernizing in the early 1980s. And Mr. Calvet predicted that the payback had only begun.

Peugeot's recovery strategy was melding the two divisions, Citroën and Peugeot, on an industrial, but not product or marketing, level.

Peugeot is recovering from a severe drop in demand precipitated by the 1979 oil crisis.

Complicating matters were labor problems, punctuated by violent and image-damaging strikes in 1982 and 1984. From 1980 to 1984, Peugeot reported losses totaling more than 8 billion francs.

The restructuring followed a period of sudden and chaotic growth. In 1976 Peugeot ac-

quired its competitor Citroën, and two years later it bought Chrysler Corp.'s European operations, which it merged into the Automobile Peugeot division.

At the end of 1986, Peugeot employed 165,000 people, down 23,000 from 1984, when the company produced 100,000 fewer cars.

On the marketing side, Peugeot Regains Its Reason to Roar

See PEUGEOT, Page 13

vital to its strategy was

melding the two divisions, Citroën and Peugeot, on an industrial, but not product or marketing, level.

Peugeot is recovering from a severe drop in demand precipitated by the 1979 oil crisis.

Complicating matters were labor problems, punctuated by violent and image-damaging strikes in 1982 and 1984. From 1980 to 1984, Peugeot reported losses totaling more than 8 billion francs.

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Argentina Shuts Banks Ahead of Economic Plan

Los Angeles Times Service

BUENOS AIRES — The Argentine government, bedeviled by re-

surgent inflation and a heavy foreign debt, unexpectedly declared banks and foreign exchange markets closed Wednesday and Thursday to quell financing after announcing a new economic program Wednesday night.

The action late Tuesday, on the eve of Wednesday's critical talks with U.S. banks, renewed talk that Argentines would follow neighboring Brazil in declaring a moratorium on its \$53 billion debt owed to foreign banks.

Treasury Secretary Mario Brodersohn has already warned of such a move if international banks

do not grant the country's request for \$2.15 billion in fresh funds to help the country meet its 1987 growth target of 4 percent, after 5.5 percent growth last year.

The last nationwide bank closure was in June 1985, when the government announced its anti-inflation "Austral Plan."

Financial sources said that Argentina's President Raúl Alfonsín had agreed to new measures that would include wage adjustments to offset inflation of 7.6 percent in January, the immediate restoration of stiff price controls, and a pledge not to allow debt obligations to undermine economic growth.

Controls, which have now eroded, were a key element in Mr. Alfonsín's Austral Plan, which reduced inflation to 80 percent last year from almost 1,000 percent in 1985.

Amid tension in financial markets Tuesday and a steady rise in the free-market rate for the U.S. dollar, some observers also anticipated that the new measures would either include a sharp devaluation of the austral, the Argentine currency, or an accelerated series of smaller devaluations.

Once again, the commission urged West Germany to play the part of economic "locomotive," a role that Bonn has rejected, by using fiscal and budgetary measures to fuel its economy. "It's in the German Federal Republic that the margin of maneuver appears to be the largest," the commission said.

The European Commission said that prospects had grown gloomier in the past few months because of a sharp fall in the value of the U.S. dollar and a slowing in world trade, both of which will hurt EC exports.

The quarterly forecast indicates that the economy of the EC is expanding at a slower rate than in 1986, when growth in the overall gross domestic product of the 12 member nations was a sluggish 2.5 percent.

The commission's report followed a weekend meeting in Paris of finance ministers and central bankers from the six largest industrialized nations. The group set a vague plan for economic cooperation, including pledges to stabilize the dollar and boost growth in Japan and West Germany.

Although the EC report was largely prepared before the weekend meeting, it echoed a widespread impatience with the sketchiness of the currency pact and called for more concrete measures. An EC economist said that the commission believed that the accord "needs more flesh."

In its annual economic report last autumn, the EC had projected 1987 growth at 2.8 percent. But the commission warned Wednesday that prospects were

"not very encouraging" that the EC would even reach its new growth target of 2.3 percent.

It said that growth would allow the unemployment rate to remain at 12 percent "at best," a level it called "unacceptable."

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The report suggested that West Germany advance tax cuts originally scheduled for Jan. 1, 1987, a step that Bonn said on Tuesday it would take. It also urged the country to increase spending in the public sector.

Bonn so far has resisted any measures that would increase its budget deficit and set off inflation.

France and Britain, the report said, could help carry the burden of stimulating growth by "improving their potential for production," even if it meant a slowing in the reduction of their budget deficits.

The commission's report said inflation would remain low in the EC this year, with consumer prices rising by 3.2 percent after a 3.6 percent increase in 1986.

More broadly, the commission called for greater economic cooperation in the community, including moves to shore up the European Monetary System. But it warned that the battered system could not be expected to carry the entire burden of cooperation.

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NYSE Most Actives						
Vol.	High	Low	Last	Chg.	Per.	Close
Deutel	2310	1478	1472	1472	+1	+2%
Amerifit	2761	752	750	750	-1	-1%
Novatek	1374	1250	1248	1248	-2	-1%
Amtrac	1811	2252	2250	2250	-2	-1%
NFS Corp	1434	1625	1625	1625	-1	-1%
Pfizer	1740	415	415	415	-1	-1%
Philco	1313	24	24	24	-1	-1%
Entex	1426	275	275	275	-1	-1%
Morgan's	1426	445	445	445	-1	-1%
FBI&L	1426	275	275	275	-1	-1%
GenCorp	1277	1032	1032	1032	-1	-1%
IBM	2578	1472	1472	1472	-1	-1%

Market Sales						
Vol.	High	Low	Last	Chg.	Per.	Close
NYSE 3 sum. volume	161,240,000					
NYSE prev. close	181,152,460					
NYSE 3 sum. volume	161,240,000					
Advanced	126,220	126,220	126,220	-1	-1%	126,220
Unadv.	135,020	135,020	135,020	-1	-1%	135,020
Prev. GTC 4 a.m. volume	133,177,000					

NYSE Index						
Category	High	Low	Close	Today	2 P.M.	
Commodities	161.24	161.24	161.24	-1	-1%	161.24
Manufactures	126.42	126.42	126.42	-1	-1%	126.42
Trans.	126.79	126.79	126.79	-1	-1%	126.79
Utilities	126.22	126.22	126.22	-1	-1%	126.22
Finance	127.77	127.77	127.77	-1	-1%	127.77
Total Issues	126.22	126.22	126.22	-1	-1%	126.22
Prev. OTC 4 a.m. volume	133,177,000					

Wednesday's NYSE Closing						
Via The Associated Press						
Advanced	319	323				
Declined	322	324				
Unchanged	324	324				
Total Issues	959	959				
New Highs	29	29				
New Lows	29	29				

AMEX Diary						
Class	Prev.					
Advanced	319					
Declined	322					
Unchanged	324					
Total Issues	959					
New Highs	29					
New Lows	29					

NASDAQ Index						
Prev. Today	Week	Year				
Commodities	254.09	254.19	254.19			
Manufactures	254.22	254.22	254.22			
Finance	254.22	254.22	254.22			
Insurance	254.22	254.22	254.22			
Utilities	254.22	254.22	254.22			
Trans.	254.22	254.22	254.22			

AMEX Most Actives						
Vol.	High	Low	Last	Chg.	Per.	Close
Lor Tel n	8274	31	31	31	+1	+3%
Hirsch	1100	100	100	-10	-10%	100
Toronto	4134	27	27	27	-1	-1%
Wanda	100	100	100	-10	-10%	100
Dillard	311	72	72	-1	-1%	72
Wichita	2662	121	121	-12	-10%	121
Wards	2662	121	121	-12	-10%	121
Prudential	254.22	254.22	254.22			
Fidelity	254.22	254.22	254.22			

NYSE Diary						
Close	Prev.					
Advanced	902	888				
Unadv.	409	422				
Total Issues	1082	1073				
New Highs	7	7				
New Lows	7	4				

Odd-Lot Trading in N.Y.						
Buy	Sell	Shares	Prev. Day			
Feb. 24	387,837	389,773	18,342			
Feb. 23	312,749	422,161	1,588			
Feb. 22	312,749	422,161	1,588			
Feb. 19	419,504	397,773	2,009			
Feb. 18	437,468	399,004	2,009			

*Included in the sales figures

Dow Jones Averages						
Open	High	Low	Last	Chg.	Per.	Close
Industrials	2221.14	2248.95	2220.34	+2.56	+1%	2221.14
Trans.	798.95	800.82	798.95	-0.87	-1%	798.95
Utilities	195.51	194.45	194.45	-1.06	-1%	194.45
SP 500	859.94	861.40	859.94	-0.46	-1%	859.94
SP 100	223.22	224.57	223.22	-1.35	-1%	223.22

Standard & Poor's Index						
Open	High	Low	Last	Chg.	Per.	<th

**Wednesday's
NYSE
Closing**

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

NYSE Highs-Lows

Company Results

Revenue and profits or losses, in millions, are in currencies unless otherwise indicated.

Capítulo

Cognex Works

2nd Quarter		1987	1986						
Revenue	—	106.1	140.5						
Net Inc.	—	5.28	10.25						
Per Share	—	.52	.92						
1st Half		1987	1986						
Revenue	—	204.4	250.7						
Net Inc.	—	27.25	38.05						
Per Share	—	.26	.36						
Flechwood Ent.									
3rd Quarter		1987	1986						
Revenue	—	291.9	264.4						
Net Inc.	—	8.58	5.20						
Per Share	—	.87	.53						
9 Months		1987	1986						
Revenue	—	910.3	892.7						
Net Inc.	—	77.2	56.1						
Per Share	—	1.17	.82						
Rohr Ind.									
2nd Quarter		1987	1986						
Revenue	—	154.3	154.1						
Net Inc.	—	8.1	12.9						
Per Share	—	.67	.99						
1st Half		1987	1986						
Revenue	—	312.8	388.1						
Net Inc.	—	77.1	26.1						
Per Share	—	.97	.37						
Valero Energy									
4th Quarter		1986	1985						
Revenue	—	446.2	461.1						
Net Inc.	—	(1)1.1	10.4						
Per Share	—	.02	.22						
Year		1986	1985						
Revenue	—	1,880	2,466						
Net Inc.	—	(1)19.9	1.66						
Per Share	—	.06	.01						
T									
50%	38%	TDK	476	9	12	23	46%	46	46%
54%	38	TECO	2,522	47	13	206	447	473	447%
10	61%	TGIF					803	854	85%
24	15%	TNP	1,35	61	12	233	226	227	22%
112	63%	TRW	2,20	14	14	944	1054	1047	104%
161%	14%	TW Svc n	3,036	3	55	1,158	1,571	1,479	1,47%
39	24%	Sysco s	1,40	21	21	728	3815	37	37

(Continued on next page)

Bravo!

The men and women of CFM International on both sides of the Atlantic congratulate Airbus Industrie on the first flight of their new generation aircraft, the impressive A320.

We are proud of the CFM56-5 engines providing the power for this milestone flight, engines that will contribute to the success of this advanced transport with high reliability and the lowest operating cost available.

CFM International is proud to
be aboard.



cfm international

**Wednesday's
AMEX
Closing**

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere

12 Month	High	Low	Stock	Div.	Yld	PE	Skt.	Mkt	High	Low	Close	Qtr	Chg
4%	2%	Buchan	n	.59	9.1	10	19	4	510	370	370	-	+/-
4%	2%	Buchh pt	n	.32	1.4	10	36	260	510	200	200	-	+/-
2%	1%	Buell's	n	.21	2.1	10	36	160	740	1400	1400	+ 4	+/-
1%	1%	Bush's	s										
C													
2%	2%	CDI	n	.16	95	334	220	370	370	-	-	-	-
1%	1%	CMX Co	n	.19	190	610	130	130	130	-	-	-	-
2%	2%	CMX Cp	n	.34	21	124	240	240	240	-	-	-	-
1%	1%	Cobisn	n	.15	45	240	240	240	240	-	-	-	-
1%	1%	CoresNJ	n	.15	240	1400	130	130	130	-	-	-	-
1%	1%	CoseA	n	.50	2.3	16	140	140	140	140	-	+/-	-
1%	1%	ColorOp	s	.44	6.5	24	80	16	940	1500	1500	+ 1	+/-
1%	1%	Comco	n	.44	2.8	24	80	16	150	150	150	-	-
1%	1%	Comco	n	.28	1.9	10	170	120	120	120	-	-	-
1%	1%	ComOc	s	.44	2.8	1.9	12	21	21	21	21	-	+/-
1%	1%	CWineB	n	.20	1.8	12	12	20	20	20	20	-	-
1%	1%	CapilFd	n	.30	2.5	24	24	24	250	250	250	+ 1	+/-
1%	1%	Cordis	n	.70	2.2	18	144	60	50	50	50	-	-
1%	1%	CoreE	n	.10	2.2	18	774	400	400	400	400	-	+/-
1%	1%	Cormin	n	.84	3.6	24	300	300	300	300	300	-	-
1%	1%	CosPro	p	5.02	5.02	100	5	45	45	45	45	-	+/-
1%	1%	Costplan	n	.21	5.1	100	100	5	45	45	45	-	+/-
1%	1%	Costa	n	.80	5.6	425	2	14	14	14	14	-	+/-
1%	1%	Cosse	n	.23	2.0	81	360	20	20	20	20	-	-
1%	1%	ContSe	n	.14	1.9	12	12	12	12	12	12	-	-
1%	1%	Contral	n	.12	1.2	2	200	170	170	170	170	-	-
1%	1%	CtryBlu	n	.9	4.6	20	20	20	20	20	20	-	-
1%	1%	Celec	n	.20	3.4	24	24	24	24	24	24	-	-
1%	1%	ChDew	n	.84	2.0	24	24	24	24	24	24	-	-
1%	1%	ChDewH	n	.21	1.4	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
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1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	-
1%	1%	ChDewH	n	.21	1.5	12	12	12	12	12	12	-	

(Continued on next page)

AMEX Highs-Low

NEW HIGHS 29			
Highs	Low	Chg.	Per cent
Albany	Albany	+1.00	+1.0%
ChampsProd	ChampsProd	+1.00	+1.0%
Cooley	Cooley	+1.00	+1.0%
HAL Inc	HAL Inc	+1.00	+1.0%
Mediogen	Mediogen	+1.00	+1.0%
Pier 1 Inc w	Pier 1 Inc w	+1.00	+1.0%
ToukSkins	ToukSkins	+1.00	+1.0%
NEW LOWS 4			
Admiral	Admiral	-1.00	-1.0%
PWebRII	PWebRII	-1.00	-1.0%
VisulGra	VisulGra	-1.00	-1.0%

TECHNOLOGY

**IN THE IHT EVERY FRIDAY.
ANALYSIS OF IMPORTANT
BREAKTHROUGHS AS THEY
AFFECT COMPANIES AND
INDIVIDUALS—WORLDWIDE**



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Belgium	B.Fr.	10,700	5,800	3,200	29	50	B.Fr. 21	B.Fr. 7,644
Denmark	D.Kr.	2,300	1,250	690	6.30	10	D.Kr. 3.7	D.Kr. 1,347
Finland*	F.M.	1,630	880	490	4.50	8	F.M. 3.5	F.M. 1,274
France	FF.	1,400	760	420	3.85	7	FF. 3.15	FF. 1,147
Germany*	D.M.	560	300	170	1.55	2.7	D.M. 1.15	D.M. 419
Gr. Britain	£	120	65	36	0.33	0.55	£ 0.22	£ 80
Greece	Dr.	20,000	11,000	6,000	55	100	Dr. 45	Dr. 16,380
Ireland	f.lrl.	140	77	42	0.38	0.70	f.lrl. 0.32	f.lrl. 116
Italy	Lire	350,000	190,000	106,000	960	1,800	Lire 840	Lire 305,760
Luxembourg	L.Fr.	10,700	5,800	3,200	29	50	L.Fr. 21	L.Fr. 7,644
Netherlands	f.fl.	634	340	190	1.75	3	fl. 1.25	fl. 455
Norway*	N.Kr.	1,650	900	500	4.50	8	N.Kr. 3.50	N.Kr. 1,274
Portugal	Esc.	19,000	10,400	5,700	52	125	Esc. 73	Esc. 26,572
Spain*	Ptas.	26,500	14,600	8,000	73	135	Ptas. 62	Ptas. 22,568
Sweden*	S.Kr.	1,700	920	520	4.70	8	S.Kr. 3.30	S.Kr. 1,200
Switzerland	S.Fr.	490	270	148	1.35	2.50	S.Fr. 1.15	S.Fr. 418
Rest of Europe N. & French Africa, Middle East	\$	400	220	120	1.19	Varies by country	\$ 0.89	
Rest of Africa Gulf States, Asia	\$	500	300	165	1.64	Varies by country	\$ 0.47	

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26-2-87

CURRENCY MARKETS

Dollar Mixed in Lackluster Trading

Reuters

LONDON — The dollar ended mixed but little changed Wednesday in dull European trading, and dealers said they expected few major currency movements before U.S. trade figures are released on Friday.

They said market sentiment was bearish on the dollar because of nervousness about Brazil's suspension of interest payments on part of its foreign debt and fears that the release Thursday of the Tower Commission report on U.S. arms sales to Iran could further weaken the U.S. administration.

But operators were hesitant to push the dollar lower in light of last weekend's Paris agreement to stabilize currencies. Although the meaning of the accord was unclear, dealers said they feared that central banks would intervene if the dollar began to slide.

In London, the dollar closed at 1.8275 Deutsche marks, down slightly from Tuesday's close of 1.8350 DM, and at 153.60 yen, also unchanged from 153.78.

The British pound, meanwhile, came under some pressure during the day as prices of spot Brent crude oil fell to less than \$16 a barrel for the first time since December. Sterling closed almost unchanged against the dollar, at \$1.5385 compared with \$1.5392.

Operators said the dollar rose against the Deutsche mark in late afternoon trading on some position squaring and interbank orders, but held to an extremely narrow range for most of the day.

Friday's U.S. trade figures were expected to provide some direction for dollar trading. Dealers are expecting a January deficit of \$13 billion to \$14.5 billion, after a surprisingly low deficit in December of \$10.7 billion.

London Dollar Rates

have little impact on trading unless markedly out of line with expectations.

Dealers were also anxiously watching developments in Brazil's debt position and said the long-term effects on the dollar and the U.S. economy would be profound if Brazil decided to end interest payments on its foreign debt.

In earlier European trading, the dollar was fixed in Frankfurt at 1.8245 DM, down from 1.8388 at Tuesday's fixing, and in Paris at 6.0740 French francs, down from 6.1215.

It closed in Zurich at 1.5397 Swiss francs, down from 1.5540 Tuesday.

THE EUROMARKETS

Floating-Rate Sector Still in the Spotlight

Reuters

LONDON — Most sectors of the Eurobond market again closed steady Wednesday, but attention remained focused on the floating-rate note sector, dealers said.

The perpetual area of the market again remained effectively closed with most houses willing to trade only on the secondary market.

The \$150 million note was issued by Nomura International Ltd. on behalf of a company incorporated in the Cayman Islands called Lives Ltd. The five-year bond pays 5% point over the six-month London interbank offered rate.

It was quoted on the when-issued market above the par issue price at about 100.03. The issue pays total fees of 10 basis points.

Otherwise, activity on the prime market was quiet after Tuesday's batch of new issues. The day's only dollar straight was a \$100 million bond for the Queensland government's development authority.

Prices of some bank names fell

by up to a full point, although some traders felt that the market would recover shortly.

One new FRN was launched, although dealers said it was essentially a publicly marketed asset swap that would probably not trade well on the secondary market.

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Prices of some bank names fell

Mitterrand Supports G-7

The Associated Press

PARIS — President Francois Mitterrand said Wednesday that Italy and Canada should be included whenever major Western nations discuss monetary affairs.

Mitterrand refused to participate in Sunday's meeting in Paris of financial officials from six countries, saying central points had been decided the previous day by the Group of Five — the United States, Britain, France, West Germany and Japan.

The G-5 plus Italy and Canada make up the Group of Seven.

Kaufman Sees Fall in U.S. Discount Rate, Dollar

Reuters

TOKYO — Henry Kaufman, chief economist at Salomon Brothers Inc., said Wednesday he expects at least one more half-point cut in the key U.S. discount rate by midyear, and the dollar to resume its decline in the next few months.

Mr. Kaufman, whose opinions for the large U.S. investment bank are widely followed by financial markets, said at a news conference he would not be surprised if the dollar fell to 140 yen and 1.70 Deutsche marks by the end of this year. The U.S. currency now is trading around 153.65 yen and 1.83 DM.

However, he said, the dollar's current stability will last for the next month or two as the markets pause after the U.S. currency's fall over the past one and a half years.

The 5.5 percent discount rate, the benchmark for other U.S. rates, may not be cut within the next month, he added. But by midyear it would

be cut by a half-point to stimulate sluggish U.S. and world economic activity, without fear of reviving inflation.

In the United States, he added, the only way to stimulate the economy is through the Federal Reserve's monetary policy. While a reduction in the U.S. government's budget deficit would help lower U.S. interest rates, a sharp cut in the deficit could pose dangers for the slowing U.S. and world economies.

The reduction would need to be gradual, he said, because the U.S. economy is not fundamentally strong enough to adjust.

A U.S. monetary policy is still needed that can immediately offset a reduction in fiscal stimulus with an effective measure of monetary injection, he added.

Mr. Kaufman said concern about a sharp decline in the dollar comes mostly from the Federal Reserve, rather than the U.S. Treasury, because the currency's fall could disrupt capital

flows into the United States from abroad, particularly from Japan and West Germany.

A sudden drop could also disrupt global financial activity, he said, adding that this may be the underlying reason the United States was willing to attend last weekend's meeting in Paris called by the seven major industrial democracies, the so-called Group of Seven.

Yet Mr. Kaufman said last weekend's Paris meeting did not address the complex issue of how to manage the new financial world where there are massive movements of funds because of economic differences, regulations and innovations.

Those movements have a substantial impact on the value of financial assets, interest rates and currency pacts, he said. "I think the G-7 meeting was helpful, but I think the G-7 meeting is not going to cure the problems that today are the impediments to economic expansion."

PEUGEOT: Restructuring and Automation Give a New Reason to Roar

(Continued from first finance page)

cars, reaching 3 percent of the market, while Citroën's sales climbed by 25 percent, gaining 1.6 percent of the market.

To achieve those gains, Jean Boillot, president of the Peugeot division, told journalists last month that the company made a strategic choice to pull back in France and divert production to faster-growing export markets.

As a result, Peugeot's penetration in France fell almost three percentage points to 31.9 percent, putting it neck-and-neck with government-owned Renault.

"If Peugeot played the European card, it's not to obtain immediate profits, but to build its position for the longer term," he said.

Much of Peugeot's turnaround can be attributed to the success of the Peugeot 205 — a "supermini" in industry parlance — which accounted for almost a third of Peugeot's unit sales last year. The model, introduced in 1983, is now available in about 30 different ver-

sions, priced from 46,900 to about 2 percent of the market.

Meanwhile, Peugeot is committed to boosting its presence in the U.S. market, where annual sales of the Peugeot luxury class model 505 have been languishing around 15,000 units in the past few years. A new lineup of engines for the 505, as well as the introduction of a midrange model 405 by late next year, will provide the ammunition for Peugeot to hit its target of 50,000 cars by 1990, according to Peugeot's sales director, Victor Dial.

Industry observers are skeptical, however. Paul Capella, a Paris-based automotive industry consultant with DRI Europe, said it would be difficult for Peugeot to build an image in the United States with a midrange family car.

"It's a rather half-hearted way to approach the American market," Mr. Capella said, adding that a sporty version of the popular 205 would have gone much further than the 405 and 505 toward establishing the brand in the United States.

Wednesday's OTC Prices

NASDAQ prices as of 3 p.m. New York time.
Via The Associated Press

12 Month High Low Stock Div. Yld. % Pct. Chg.

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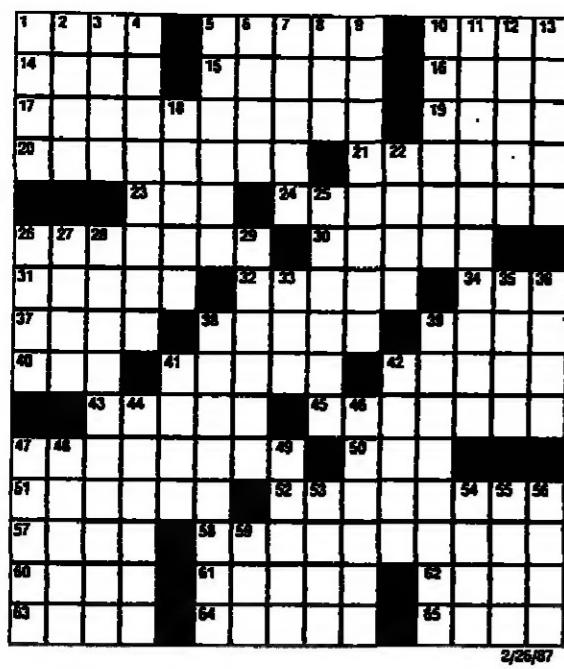
12 Month High Low Stock Div. Yld. % Pct. Chg.

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12 Month High Low Stock Div. Yld. % Pct. Chg.

12 Month High Low Stock Div. Yld. % Pct.



ACROSS

- 1 Wedels
- 5 TV's Barnaby Jones
- 10 Prefix for graph or media
- 14 Fraction
- 15 Ravel's "La —"
- 16 Arabian cloaks
- 17 Discomfort
- 19 City of Calif.
- 20 Predator-mind
- 21 Muse of comedy
- 22 Pop's brother
- 23 Whodunit finale
- 25 Brutes
- 26 Heaps
- 31 Informed
- 32 Hippodrome
- 34 Lennon's " — Do You Sleep?"
- 35 Singer Orlando
- 36 Smart
- 40 Ancient times, to Poe
- 41 Loyal
- 42 Because
- 43 "Die Fledermaus'" maid

DOWN

- 1 Garden tool
- 2 Batman's creator
- 3 Angers
- 4 Branch of sculpture
- 5 Manifest
- 6 Ruination
- 7 Luges
- 8 Ar chaser
- 9 Chick
- 10 Sense of taste
- 11 Action demanded by W. L. Garrison
- 12 Ham's companion
- 13 Indian, e.g.
- 18 Burn slightly
- 22 — hoop
- 25 Unlocked
- 26 City SE of Beijing
- 27 Tintoretto G.L.
- 28 Malicious defacements
- 29 Soft fabric
- 30 Truckers' wheels
- 35 Former
- 36 Duck or knawel
- 38 Hit man's purchase
- 39 Fiendish
- 41 Manufacturer Strauss
- 42 Show friendship
- 44 Cookbook contents
- 46 Surrounded by soprano Berger et al.
- 48 Waltz composition by Delibes
- 49 Keg part
- 50 Dill of yore
- 54 Baltic port
- 55 Lampreys
- 56 French hurdles champ
- 59 Cry of triumph

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DENNIS THE MENACE



"HE'S OKAY, BUT YA GOTTA KNOW HOW TO HANDLE HIM."

"HE'S OKAY, BUT YOU HAVE TO KNOW HOW TO HANDLE HIM."

JUMBLE

THAT SCRABLED WORD GAME by Henri Arnold and Bob Lee

ILVIC



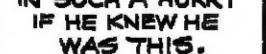
FLAIN



TERVID



GUNJEL



Answer: TO

(Answers tomorrow)

Yesterday's Jumble: ANGLE SYPHL BEAVER COMPEL

Answer: A young girl starts to do this when she becomes a teen — PRESS

WEATHER

EUROPE		ASIA		HIGH		LOW	
C	F	S	F	25	15	25	15
Aberdeen	15	15	15	15	15	15	15
Athens	15	15	15	15	15	15	15
Barcelona	15	15	15	15	15	15	15
Berlin	1	15	15	15	15	15	15
Brest	15	15	15	15	15	15	15
Budapest	2	15	15	15	15	15	15
Copenhagen	15	15	15	15	15	15	15
Costa Del Sol	15	15	15	15	15	15	15
Florence	15	15	15	15	15	15	15
Frankfurt	15	15	15	15	15	15	15
Helsinki	15	15	15	15	15	15	15
Lisbon	15	15	15	15	15	15	15
Madrid	15	15	15	15	15	15	15
Milan	15	15	15	15	15	15	15
Moscow	15	15	15	15	15	15	15
Nice	15	15	15	15	15	15	15
Paris	15	15	15	15	15	15	15
Berkele	15	15	15	15	15	15	15
Rome	15	15	15	15	15	15	15
Stockholm	15	15	15	15	15	15	15
Venice	15	15	15	15	15	15	15
Vienna	15	15	15	15	15	15	15
Warsaw	15	15	15	15	15	15	15
Zurich	15	15	15	15	15	15	15
AFRICA							
Algiers	15	15	15	15	15	15	15
Cario	15	15	15	15	15	15	15
Lima	15	15	15	15	15	15	15
Luanda	15	15	15	15	15	15	15
Tunis	15	15	15	15	15	15	15
LATIN AMERICA							
Buenos Aires	15	15	15	15	15	15	15
Caracas	15	15	15	15	15	15	15
Lima	15	15	15	15	15	15	15
Rio de Janeiro	15	15	15	15	15	15	15
NORTH AMERICA							
Anchorage	15	15	15	15	15	15	15
Atlanta	15	15	15	15	15	15	15
Calgary	15	15	15	15	15	15	15
Denver	15	15	15	15	15	15	15
Edmonton	15	15	15	15	15	15	15
Houston	15	15	15	15	15	15	15
Los Angeles	15	15	15	15	15	15	15
Montreal	15	15	15	15	15	15	15
New York	15	15	15	15	15	15	15
Seattle	15	15	15	15	15	15	15
Toronto	15	15	15	15	15	15	15
Vancouver	15	15	15	15	15	15	15
Montreal	15	15	15	15	15	15	15
MIDDLE EAST							
Ashdod	15	15	15	15	15	15	15
Bahrain	15	15	15	15	15	15	15
Baku	15	15	15	15	15	15	15
Beirut	15	15	15	15	15	15	15
Jerusalem	15	15	15	15	15	15	15
Tehran	15	15	15	15	15	15	15
Tel Aviv	15	15	15	15	15	15	15
OCEANIA							
Auckland	15	15	15	15	15	15	15
Sydney	15	15	15	15	15	15	15
Tarawa	15	15	15	15	15	15	15
ASIA							
Bangkok	15	15	15	15	15	15	15
Beijing	15	15	15	15	15	15	15
Chengdu	15	15	15	15	15	15	15
Delhi	15	15	15	15	15	15	15
Guangzhou	15	15	15	15	15	15	15
Hanoi	15	15	15	15	15	15	15
Kuala Lumpur	15	15	15	15	15	15	15
Manila	15	15	15	15	15	15	15
Mumbai	15	15	15	15	15	15	15
Peking	15	15	15	15	15	15	15
Phnom Penh	15	15	15	15	15	15	15
Seoul	15	15	15	15	15	15	15
Taipei	15	15	15	15	15	15	15
Tokyo	15	15	15	15	15	15	15
Yokohama	15	15	15	15	15	15	15
Latin America							
Bogota	15	15	15	15	15	15	15
Buenos Aires	15	15	15	15	15	15	15
Caracas	15	15	15	15	15	15	15
Guatemala	15	15	15	15	15	15	15
Havana	15	15	15	15	15	15	15
Mexico City	15	15	15	15	15	15	15
Montevideo	15	15	15	15	15	15	15
Porto Alegre	15	15	15	15	15	15	15
Santiago	15	15	15	15	15	15	15
Santo Domingo	15	15	15	15	15	15	15
Santiago de Chile	15	15	15	15	15	15	15
Sao Paulo	15	15	15	15	15	15	15
Valencia	15	15	15	15	15	15	15
North America							
Albuquerque	15	15	15	15	15	15	15
Atlanta	15	15	15	15	15	15	15
Baltimore	15	15	15	15	15	15	15
Calgary	15	15	15	15	15	15	15
Edmonton	15	15	15	15	15	15	15
Houston	15	15	15	15			

SPORTS

NCAA Suspends Football at SMU 1 Year*United Press International*

DALLAS — The National Collegiate Athletic Association on Wednesday suspended the football program at Southern Methodist University for one year and said the school could play no home football games in 1988.

The governing body of college athletics thus enforced its so-called "death penalty" for the first time, providing the severest sanctions in its history against the country's most scandal-ridden football program.

"Not only is Southern Methodist University a repeat violator, but its past record of violations is nothing short of abysmal," said a statement issued by the NCAA's committee on infractions. "Both the current case and the university's 1985 infractions case involved major violations that occurred at times when the university was on NCAA probation for previous serious violations."

The NCAA cited a series of violations involving payment of money to athletes, including one in

which 13 football team members received payments totaling \$47,000 during the 1985-86 academic year and eight athletes got payments totaling about \$14,000 from September through December 1986.

At a special meeting last summer, the NCAA adopted regulations that allowed it to suspend an athletic program if it violated NCAA regulations while on probation.

The sanctions include:

- SMU will be on probation until Sept. 1, 1990.
- SMU will be allowed to play no football games in 1987 and will be limited to seven games in 1988 — all away from home.
- SMU will be allowed no live television appearances in 1988 and no bowl appearances immediately following that season.
- Football practice during 1987 will be limited to conditioning programs only, and no football equipment may be used other than helmets and shoes. SMU will be permitted to resume normal prac-

tice activities in the spring of 1988.

• The school may have no more than one head coach and five assistants until Aug. 1, 1989.

• No football scholarships will be allowed this year, and no more than 15 players can be signed for next year.

• No recruiting may take place by football staff members until Aug. 1, 1988.

School officials have said they will not appeal the NCAA findings.

SMU is the first school to fall under recently passed laws that allow the NCAA to suspend an athletic program for up to two years. Such action can be taken when a program is judged to have violated NCAA regulations while on probation.

The Mustang football program was serving a three-year probation when additional allegations of illegal recruiting surfaced late last year. Following those reports, the school president, L. Donald Shields, re-

signed; he cited health reasons. Re-

signations followed from athletic director Bob Hitch and football coach Bobby Collins. None of those positions has been filled.

SMU already was the most penalized school in NCAA history, the latest punishment being its fifth in the last 12 years. The football program was placed on probation twice in the last six years, 1981 and 1985, and the Mustangs' first brush with the NCAA was in 1958, when they were put on probation for a year.

Although the NCAA released its findings Wednesday, there will apparently be no release of the names of those involved. SMU officials have said the identities of those violating NCAA regulations will be kept secret because they could not have gathered the information they did without promising anonymity.

There were also indications that the names of those involved have been stricken from all records in the case so they cannot become public even if the documents are opened in the future.

Now Going to the Dogs Can Be Tax-Deductible*By Andrew Beyer
Washington Post Service*

WASHINGTON — When Robert Grotzinger lost his job with a trucking company in 1978, he tried to support himself by betting on dog races.

According to the U.S. government, which would later take a keen interest in his activities, Grotzinger "devoted about half his waking hours to gambling at tracks in Florida and Colorado." At the end of the year, he filed a tax return that indicated he was a professional bettor.

Grotzinger quickly ran afoul of the Internal Revenue Service, which argued that what he was doing was less dramatic. He showed gambling income of \$70,000 and losses of \$72,000 in 1978. But regardless of the amounts, the IRS would not view gambling losses as legitimate expenses because it held that gambling was not a business.

The IRS relied on an old Supreme Court decision that defined a trade or business as "the holding out of goods or services to others." Professional gamblers couldn't meet that standard, nor could certain other types of businesses — for example, people who devoted most of their time to managing their own stock-market investments.

Some courts were willing to take a more liberal view of what constituted a business, saying in essence that if something looked like a duck, walked like a duck and quacked like a duck, it must be a duck. Other courts cited legal precedent to insist that it wasn't a duck.

The decision opens the way for gamblers to deduct legitimate business expenses (the cost of racing forms and travel to the track, for example) and may give them some other tax advantages.

It does not permit them to deduct gambling losses on their taxes, but the ruling may have other far-reaching consequences.

"This decision goes beyond the issue of gambling," said Tom Aronson, director of legislation for the American Horse Council. "The court has chosen to establish another standard by which a person is held to be engaged in a business."

The old definition of what constitutes a business or profession had great importance for gamblers in the 1970s and early 1980s, because it enabled the IRS to zing them with an outrageous catch-22.

According to the IRS, the proper way to show gambling transactions on a tax return was to list total winnings as income and total losses as a deduction. If a gambler bet \$400,000 during the course of the year and made a \$1,000 profit, he would show \$401,000 in income and a deduction of \$400,000. Sirens would sound and red lights would start flashing when the IRS computer got a look at such a tax return, of course.

And here was the catch: The gambler was socked for a hefty "alternative minimum tax" because the IRS viewed that \$400,000 deduction as if it were some dubious tax shelter rather than a genuine business expense.

In Grotzinger's case, the figures were less dramatic. He showed gambling income of \$70,000 and losses of \$72,000 in 1978. But regardless of the amounts, the IRS would not view gambling losses as legitimate expenses because it held that gambling was not a business.

The Grotzinger case is resolved the longstanding dispute. Wrote Justice Harry Blackmun: "If a taxpayer devotes his full-time activity to gambling, and it is his intended livelihood source, it would seem that basic concepts of fairness (if there be much of that in the income tax law) demand that his activity be regarded as a trade or business just as any other readily accepted activity."

The old definition of what constitutes a business or profession had great importance for gamblers in the 1970s and early 1980s, because it enabled the IRS to zing them with an outrageous catch-22.

The ruling apparently has no effect on the statutory restriction that says gambling losses can only be deducted to the extent of gambling winnings. Moreover, stopping the IRS from using the alternative minimum tax against gamblers had already been accomplished by a tax-law change passed by Congress in 1982.

But the ruling will permit gamblers to take substantial deductions as business expenses. It should allow them to invest part of their gambling winnings in retirement funds.

Most of all, the court has conferred legitimacy to the business of gambling. Bettors can come out of the closet.



The Associated Press

Battling Billy

New York Islander goaltender Billy Smith, long noted for his short-fused temper and feistiness, hit Herb Raglan on the head with his stick after he and the St. Louis defenseman made goalcrease contact late in Tuesday night's opening period. Smith was whistled for high-sticking and also received an unsportsmanlike conduct penalty; during the resulting two-man advantage Doug Gilmour tallied, starting the Blues on their way to a 3-2 victory.

W. Virginia Puts an End To Two Temple Streaks*United Press International*

PHILADELPHIA — Bolstered by strong defense, West Virginia pulled off an upset Tuesday night that should have repercussions at national tournament time. The Mountaineers limited Temple to

a 3-pointer to draw the Owls to 59-58 with 22 seconds left to go.

Tyron Shaw connected on 2 foul shots with 19 seconds left for a 61-58 lead. Wayne Yearwood hit a free throw and Brooks scored on a layup to give West Virginia a 64-58 lead.

Temple was playing without 6-foot-10 (2.08-meter) center Ramon Rivas, out for the fourth straight game with an infected left heel, so the Owls needed their outside shooting. They didn't get it — Vreeswyk hitting 6 of 22 from the floor and Howard Evans shot 5 of 16.

"Howie and Mike could have shot the ball better," said John Chaney, the losing coach. "You can't find the ball inside when they're packing it in and we couldn't free Nate. We found him off a couple of screens, but he got a tough shot."

"I kept thinking sooner or later we were going to get a spanking. We'll just have to walk away from this and wait for the sun to shine tomorrow."

Shaw had 16 points for West Virginia. Brooks had 15 and Crawf 10. Vreeswyk led the losers with 18 points, while Evans had 15 and Tim Perry 14. The Mountaineers outrebounded Temple 41-29.

Georgetown '79, Boston College '65: In Boston, Reggie Williams scored 25 points and Perry McDonald added 18 to lead seventh-ranked Georgetown. Never trailing, the Hoyas moved into sole possession of second place in the Big East.

Iowa State '86, Oklahoma '84: In Ames, Iowa, Tom Schafer hit a short jumper as time expired to lift Iowa State over No. 14 Oklahoma. Schafer scored on a free kick from 20 meters (65 feet) in the 44th minute. His shot deflected off the wall of Dynamo Kiev defenders.

Heavily favored Dynamo Kiev pressured the Romanians early in the match and through much of the second half. But despite having European player of the year Igor Belanov and Soviet player of the year Alexander Zavarov on the attack, the Soviets were unable to penetrate a tight defense.

The annual contest brings together the winners of the two major European club championships from teams from Eastern Europe, Gheorghe Hagi scored on a free kick from 20 meters (65 feet) in the 44th minute. His shot deflected off the wall of Dynamo Kiev defenders.

Besides excellent defense, Crawl converted an off-balanced 15-foot jump shot with one second left on the 45-second shot clock to break a 53-53 tie with 53 seconds to play. That gave West Virginia the lead for good.

Temple then turned the ball over, as Duran Pearson could not handle a Blackwell pass. Herbie Brooks sank two free throws for West Virginia with 28 seconds left. After Temple's Mike Vreeswyk left in the game,

Steaua Bucharest Surprises Dynamo Kiev in Supercup*Compiled by Our Staff From Dispatches*

MONACO — Steaua Bucharest scored seconds before halftime and then held off a late charge to upset Dynamo Kiev, 1-0, in soccer's European Cup here in Tuesday night.

In the first major European club championship final between teams from Eastern Europe, Gheorghe Hagi scored on a free kick from 20 meters (65 feet) in the 44th minute. His shot deflected off the wall of Dynamo Kiev defenders.

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